

# PROVISION OF INDEMNITY OR INSURANCE FOR INDIVIDUALS SERVING IN THE ARMED FORCES

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## HEARINGS BEFORE THE SUBCOMMITTEE ON INSURANCE OF THE COMMITTEE ON VETERANS' AFFAIRS HOUSE OF REPRESENTATIVES EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 4379, 5281, 5959, 5961, 6161, 6273, 6351, 6398,  
9725, 9748, 10053, 10272, 10273, 10286, 10301, 10312,  
10395, 10399, 10473, 10478, 10630, 10821, 10862,  
10873, and S. 2127

SEPTEMBER 8 AND 9, 1965

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S. 2127

Hearing in Senate	August 11
✓Senate Hearing available	August 24
✓Senate Report 619	August 16
✓S. 2127 as reported with amend.	August 16
✓Passed Senate as reported (voice)	August 18
✓Passage reconsidered	August 19
✓Amended on Senate Floor (voice)	August 19
✓Passed Senate with amendment (voice)	August 19
✓S. 2127 as passed Senate	August 23
To House Veterans' Affairs	August 23

H. R. 10873

✓Hearing in the House	September 8
✓H. R. 10873 as reported with amendment	September 15
✓Report 1003	September 15
✓Passed H. R. 10873 (unanimous record vote - 360 "yeas")	September 20
✓Passed S. 2127 by striking all after enact- ment clause to insert provisions of H. R. 10873	Sept 20
by striking all after enactment clause to insert provisions of H. R. 10873	September 20
<del>Amended S. 2127</del> , H. R. 10873 was laid on the table.	

Senate Amendment S 2127

Sept. 22

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## PROVISION OF INDEMNITY OR INSURANCE FOR INDIVIDUALS SERVING IN THE ARMED FORCES

WEDNESDAY, SEPTEMBER 8, 1965

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE OF THE COMMITTEE  
ON VETERANS' AFFAIRS,  
*Washington, D.C.*

The subcommittee met at 10 a.m., pursuant to call, in room 356, Cannon Building, Hon. Robert A. Everett (chairman of the subcommittee) presiding.

Mr. EVERETT. The committee will come to order.

I might announce that Mr. Adair, who is the ranking minority member, said he would be out of town but to go right ahead.

We are meeting this morning to begin hearings on several bills which have been introduced and referred to this subcommittee, providing for an indemnity payment or insurance for individuals serving in the Armed Forces today.

Many of these bills are keyed to combat areas, such as Vietnam. The Senate has passed S. 2127 on this subject and the author of that proposal, Senator Talmadge, of Georgia, has been invited to testify on his bill. In lieu of an appearance he has submitted a statement which, without objection, will be inserted at this point.

(The statement referred to follows:)

STATEMENT OF HON. HERMAN E. TALMADGE, U.S. SENATOR FROM THE STATE OF  
GEORGIA

Mr. Chairman and my colleagues on the Veteran's Affairs Committee, I am deeply grateful for the opportunity to appear before the committee to testify on behalf of S. 2127, which was introduced by our distinguished colleague, Senator Smathers, and myself.

This bill would provide special, cost-free, indemnity life insurance for members of the Armed Forces serving in areas designated as combat zones by the President. It is retroactive to January 1, 1962, or such date as the President may determine.

With the intensified efforts of the United States to assist Vietnam in turning back Communist aggression, it is my view, which I believe to be shared by a majority of the American people, that adequate protection in terms of survivors' benefits should be provided for the families, widows, children, dependents, or parents of servicemen who lose their lives in this conflict.

Since January 1, 1962, approximately 850 American fighting men have honored their country for the cause of freedom and democracy with the supreme sacrifice on the battlegrounds of Vietnam. And with our military operations in this strife-torn country being expanded, it is unfortunate, but certain, that there will be many more American lives lost in this war. I remind you that troop requirements in Vietnam are now placed at 125,000 men, and not-too-distant projections indicate a total far in excess of that number. Furthermore, the Congress earlier this session appropriated an additional \$700 million to support the war and will soon be called upon to authorize an even further expenditure estimated in the billions. Again, I point out that the draft has doubled and studies are being made to determine whether Reserve units should be reactivated.

Although the Congress cannot guarantee U.S. servicemen preservation of life and limb in battle, we can, and should, afford them peace of mind by assuring them that in the event of their death, their loved ones back home will be provided some measure of economic security. At the present time, American soldiers, sailors, and marines serving in Vietnam do not have such peace of mind. Unless they have been able, at great personal cost, to secure private life insurance, the future well-being and means of support of their families stand in great danger.

The serviceman bound for Vietnam finds it extremely difficult to find life insurance that he can buy to cover himself against the hazards there. Even if he is successful in finding an insurer, the cost is virtually prohibitive and the coverage grossly inadequate. At least one of the Nation's larger life insurance companies already has inserted "no payment" clauses in new policies of servicemen assigned to duty in Vietnam. Other are restricting the amount of coverage and a great many are considering the issuance of emasculated policies with "as of now" clauses. From the company's standpoint, it is simply not economically feasible to underwrite insurance on a Vietnam combatant.

Unless the Federal Government assumes this responsibility, as it should, the need for insurance protection of American combat servicemen will go unfulfilled. A member of the armed services today, who may be sent to fight for his country in the jungles of Vietnam, or to the Dominican Republic, or to some other battlefield in the world where his duty is needed to protect American interests, is not treated as kindly in this regard as was his World War I, World War II, and Korean war counterpart, as a comparison of death benefits reveals.

For the World War I and World War II servicemen, death compensation was fixed at \$130 a month, and subsequently increased to \$150 for a widow with two minor children. For the Korean war servicemen, the amount was \$150 monthly. Unfortunately, the widow of a Vietnam veteran is provided no death compensation benefits other than those now held by every other member of the armed services, and there is utterly no distinction between the servicemen who may be engaged in a peaceful mission and those who are engaged in hostilities with death as a constant companion.

National service life insurance provided \$39 a month for life to a surviving widow of the Two World War veterans. Servicemen's indemnity, held by Korean war servicemen, was payable over a period of 10 years at the rate of \$92.90 per month. For the Vietnam servicemen there is neither contract insurance such as NSLI nor servicemen's indemnity.

In addition to a death gratuity, which was given to widows of both World Wars and Korea, and social security benefits, which were payable to Korean widows, the Vietnam widow has only dependency and indemnity compensation to sustain her.

Dependency and indemnity compensation is computed at the rate of \$120 monthly plus 12 percent of the deceased's adjusted base pay. The minimum payment is set at \$130 monthly and graduated on a scale reflecting higher rank and longer tenure of service. Payments may be increased where there are two or more children, up to \$28 for each child in excess of one, depending on amounts to which the family may be entitled under certain social security and railroad retirement provisions.

However, and this point deserves emphasis, the above mentioned benefits payable upon the death of a serviceman in Vietnam, are equally payable upon the death of a serviceman who dies of pneumonia at Fort Benning or any other member of the armed services, regardless of where he may serve or the character of his duty at the time of death.

Completely ignoring precedent, the Government at the present time has failed to provide life insurance benefits for servicemen now fighting in Vietnam, or for those who may be called upon to take up arms for the United States at some other time, in some other part of the world.

It has always been the policy of the Federal Government in time of war to provide special, cost-free, life insurance for American servicemen. This is as it should be, for I am sure the committee will agree that there should be a greater premium on the life of a serviceman engaged in armed conflict in behalf of his country, than for those who are engaged in nonhazardous duty where the threat of injury or death is almost nonexistent.

Although the United States is not presently engaged in a declared war in South Vietnam, it is war nonetheless in virtually every sense of the term. American fighting men are being sent there by the thousands daily, and they are losing their lives daily. I contend, Mr. Chairman, that we should do no less for the American servicemen in Vietnam than we did for American men who fought in Europe and the Pacific, or in Korea.

Mr. EVERETT. All of the authors of pending proposals have been notified of these hearings, and have been invited to testify in person or submit a statement.

Without objection, I will include at this point in the record the text of the bills and certain other pertinent data on this general subject. (The document referred to follows:)

[H. R. 4379, 80th Cong., 1st sess.]

A BILL To amend title 38, United States Code, to provide free insurance protection for members of the Armed Forces serving outside the United States

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That part II of title 38, United States Code, is amended by inserting immediately after chapter 17 thereof the following new chapter:*

#### **"CHAPTER 18—OVERSEAS SERVICEMEN'S INDEMNITY**

"Sec.

"650. Definitions.

"651. Coverage provided.

"652. Beneficiaries of insurance.

"653. Waiver of premiums on other insurance.

##### **"§ 650. Definitions**

"For the purposes of this chapter—

"(1) The term 'child' does not include a stepchild unless the stepchild either was a member of the insured's household, or was designated as a beneficiary under this chapter by the insured, and the term does not include an illegitimate child unless the child was designated as a beneficiary under this chapter by the insured.

"(2) The term 'parent' includes a stepparent if designated as a beneficiary under this chapter by the insured; and only includes the mother and father who last bore that relationship to the insured.

"(3) The terms 'brother' and 'sister' include those of the halfblood and those through adoption.

"(4) The term 'United States', when used in a geographical sense, means the several States and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

##### **"§ 651. Coverage provided**

"(a) Each member of the Armed Forces on active duty outside the United States after the date of enactment of this chapter is automatically insured by the United States, without cost to such member, against death on active duty while outside the United States.

"(b) The insurance provided by subsection (a) shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance or national service life insurance held by the insured and in force at the time of his death.

##### **"§ 652. Beneficiaries of insurance**

"(a) Upon certification by the Secretary concerned of the death of any member insured under section 651 of this title, the Administrator shall pay the insurance only to the surviving spouse, children, parents, or brothers and sisters of the insured. The insurance shall be paid in a lump sum.

"(b) The insured may designate the beneficiaries of the insurance within the classes named in subsection (a); may designate the proportion of the principal amount to be paid to each; and may change beneficiaries within the classes without their consent.

"(c) If a designated beneficiary does not survive the insured, or if none has been designated, payment shall be made to the first eligible beneficiary among the classes and in the order named in subsection (a); and if the class is composed of more than one individual, payments shall be made in equal shares among such individuals.

"(d) No payments shall be made under this chapter to the estate of any deceased individual.

##### **"§ 653. Waiver of premiums on other insurance**

"(a) Any member of the Armed Forces may apply for, and shall be granted, waiver of premiums under this section on any policy of national service life insurance for periods during which

he is outside the United States. Any such waiver shall render the insurance nonparticipating while the waiver is in effect.

"(b) While any waiver of premiums is in effect under this section—

"(1) all premiums on five-year level premium term insurance shall be waived; and

"(2) the portion of premiums on all other insurance which represents the pure insurance risk shall be waived; effective as of the first day of the first calendar month beginning after the member is first outside the United States, and ending as of the last day of the first calendar month beginning after he thereafter enters the United States.

"(c) Where benefits under any policy of insurance under waiver of premiums under this section become payable, liability for such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits. Computations of such benefits shall be based upon the same tables and rates of interest as apply with respect to the policy involved. The Administrator shall from time to time transfer from the national service life insurance appropriation to the national service life insurance fund, and from the military and naval insurance appropriation to the United States Government life insurance fund such sums as may be necessary to carry out this subsection."

Sec. 2. (a) The table of chapters at the head of chapter 11 of title 38, United States Code, is amended by inserting immediately below the line beginning "17." the following:

"18. Overseas Servicemen's Indemnity."

(b) The table of chapters at the head of title 38, United States Code, is amended by inserting immediately below the line beginning "17." the following:

"18. Overseas Servicemen's Indemnity."

[H.R. 5281, 89th Cong., 1st sess.]

A BILL To authorize wartime benefits under certain circumstances for peacetime veterans and their dependents

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) paragraph (11) of section 101 of title 38, United States Code, is amended to read as follows:

"(11) The term 'period of war' means (A) the Spanish-American War, World War I, World War II, the Korean conflict, (B) the period beginning on the date of any future declaration of war by the Congress and ending on a date prescribed by Presidential proclamation or concurrent resolution of the Congress, and (C) any period of hostilities."

(b) Section 101 of such title is amended by adding at the end thereof the following new paragraphs:

"(29) The term 'area of hostilities' means any area designated by the President as an area of hostilities pursuant to the authority granted him under section 3111 of this title.

"(30) The term 'period of hostilities' means, with respect to any area of hostilities, the period of time during which such area has been designated an area of hostilities pursuant to section 3111 of this title; but, for the purposes of this title, a veteran shall be considered to have served during a period of hostilities only if such veteran served at some time during such period in an area of hostilities, or if he suffered an injury or contracted a disease in line of duty or aggravated a preexisting injury suffered or disease contracted in line of duty while en route to or return from an area of hostilities."

Sec. 2. (a) Section 521(a) of title 38, United States Code, is amended by striking out "or the Korean conflict," and inserting in lieu thereof "the Korean conflict, or a period of hostilities,".

(b) Section 521(g) of such title is amended by—

(1) redesignating clauses (2), (3), and (4) as clauses (3), (4), and (5), respectively, and adding a new clause (2) after clause (1) as follows:

"(2) for a period of ninety consecutive days or more any part of which was served during a period of hostilities;" and

(2) by striking out "or the Korean conflict," in clause (3), as redesignated by this subsection, and inserting in lieu thereof "the Korean conflict, or a period of hostilities,".

(c) The catchline of section 521 is amended to read as follows: "Veterans of World War I, World War II, the Korean conflict, or a period of hostilities".

(d) Section 541(a) of such title is amended by striking out "or the Korean conflict" and inserting in lieu thereof "the Korean conflict, or a period of hostilities".

(e) The catchline of section 541 is amended by adding at the end thereof the following: ", and widows of veterans of a period of hostilities".

(f) Section 542(a) of such title is amended by striking out "or the Korean conflict" and inserting in lieu thereof "the Korean conflict, or a period of hostilities".

(g) The catchline of section 542 is amended by adding at the end thereof the following: ", and children of veterans of a period of hostilities".

(h) The heading which precedes section 541 of such title is amended to read as follows:

"WORLD WAR I, WORLD WAR II, THE KOREAN CONFLICT, AND ANY PERIOD OF HOSTILITIES".

(i) The table of sections at the beginning of chapter 15 of such title is amended by—

(1) striking out

"521. Veterans of World War I, World War II, or the Korean conflict."

and inserting in lieu thereof the following:

"521. Veterans of World War I, World War II, the Korean conflict, or a period of hostilities.";

(2) striking out the heading which reads

"World War I, World War II, and the Korean Conflict"

and in inserting in lieu thereof

"World War I, World War II, the Korean Conflict, and any Period of Hostilities";

(3) striking out

"541. Widows of World War I, World War II, or Korean conflict veterans."

"542. Children of World War I, World War II, or Korean conflict veterans."

and inserting in lieu thereof

"541. Widows of World War I, World War II, or Korean conflict veterans, and widows of veterans of a period of hostilities."

"542. Children of World War I, World War II, or Korean conflict veterans, and children of veterans of a period of hostilities."

SEC. 3. Section 602 of title 38, United States Code, is amended by—

(1) striking out "World War II or of the Korean conflict" and inserting in lieu thereof "World War II, the Korean conflict, or a period of hostilities"; and

(2) inserting immediately before "shall be deemed" the following: "or within a period of two years following the last day of his service in an area of hostilities, in the case of a veteran of a period of hostilities,".

SEC. 4. (a) Section 723(b) of title 38, United States Code, is amended by striking out "Any" at the beginning of such section and inserting in lieu thereof the following: "Any veteran of a period of hostilities shall, upon application in writing made within one hundred and twenty days after such veteran's discharge or release from the Armed Forces following his service in an area of hostilities and payment of premium as hereinafter provided, and without medical examination, be issued a policy of permanent plan life insurance or a policy of limited convertible five-year level premium term insurance under this subsection; and any".

(b) Section 723(b) of such title is further amended by adding at the end thereof a new sentence as follows: "Any veteran of a period of hostilities who was discharged or released from the Armed Forces prior to the date of enactment of this sentence shall, upon application made in writing within one hundred and twenty days after the date of enactment of this sentence and payment of premiums, and without medical examination, be issued insurance as provided in this subsection."

SEC. 5. Section 1502(a)(1) of title 38, United States Code, is amended by striking out "World War II or the Korean conflict" and inserting in lieu thereof "World War II, the Korean conflict, or a period of hostilities".

SEC. 6. (a) Section 1601(a)(1) of such title is amended by adding at the end thereof a new sentence as follows: "Such term, in the case of a veteran of a period of hostilities, means the period commencing with the veteran's most recent entry,

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enlistment, or call to active duty prior to his service in an area of hostilities and ending on the date of his first discharge or release from active duty after his service in such area."

(b) Section 1601(a)(2) of such title is amended by—

(1) inserting immediately before the semicolon at the end of clause (A) the following: "or a period of hostilities"; and

(2) striking out in clause (C) "Korean conflict," and inserting in lieu thereof "Korean conflict or a period of hostilities,"

(c) Section 1601(c) of such title is amended by inserting "or a period of hostilities" immediately after "Korean conflict".

(d) Section 1612(c) of such title is amended by adding at the end thereof a new sentence as follows: "In the case of a veteran of a period of hostilities the date of discharge or release shall, for the purposes of this section and section 1613 of this title, be the actual date of the veteran's discharge or release from active duty or the date of enactment of this sentence, whichever is later."

(e) Section 1613(a) of such title is amended by inserting a comma in lieu of the period at the end thereof and adding the following: "in the case of any veteran whose eligibility is based upon service during the Korean conflict, or after January 31, 1972, in the case of any veteran whose eligibility is based upon service during a period of hostilities."

(f) Section 1631 of such title is amended by adding at the end thereof a new subsection as follows:

"(d) No educational and training allowance shall be paid for any period of education or training completed prior to the date of enactment of this subsection to a veteran whose eligibility for benefits under this chapter is based upon service during a period of hostilities."

(g) The chapter heading at the beginning of chapter 33, of title 38, United States Code, is amended to read as follows:

**"CHAPTER 33—EDUCATION OF KOREAN CONFLICT VETERANS AND VETERANS OF A PERIOD OF HOSTILITIES"**

(h) The table of chapters at the beginning of part III of such title is amended by striking out

"33. Education of Korean Conflict Veterans"

and inserting in lieu thereof

"33. Education of Korean Conflict Veterans and Veterans of a Period of Hostilities"

(i) The table of chapters at the beginning of such title is amended by striking out

"33. EDUCATION OF KOREAN CONFLICT VETERANS"

and inserting in lieu thereof

"33. EDUCATION OF KOREAN CONFLICT VETERANS AND VETERANS OF A PERIOD OF HOSTILITIES".

SEC. 7: (a) Chapter 37 of title 38, United States Code, is amended by inserting immediately after section 1817 the following new section:

**"§ 1818. Veterans of a period of hostilities**

"(a) Each veteran who served on active duty during a period of hostilities shall be eligible for the benefits of this chapter, subject to the provisions of this section, if his total service was for a period of ninety days or more, or if he was discharged or released from a period of active duty, any part of which was served during a period of hostilities, for a service-connected disability.

"(b) No veteran shall be eligible for benefits under this section so long as he is eligible under this chapter for any unused benefits derived from service during World War II or the Korean conflict. Any veteran who is eligible for benefits under this section and who has obtained benefits under this chapter by reason of service during World War II or the Korean conflict shall have his benefits under this section reduced by the amount of any benefits previously obtained under this chapter. Benefits shall not be afforded under this section to any individual on account of service as a commissioned officer of the Coast and Geodetic Survey, or the Regular or Reserve Corps of the Public Health Service.

"(c) Loans may be made or guaranteed under this section in the case of any eligible veteran if made not more than ten years from the date of such veteran's discharge or release from his last period of active duty, any part of which occurred during the period of hostilities on which his eligibility is based, plus an additional period equal to one year for each three months of active duty per-

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formed by the veteran in such area of hostilities, except that entitlement shall not continue in any case after January 31, 1985, nor shall entitlement expire in any case prior to January 31, 1975.

"(d) If a loan report or an application for loan guaranty relating to a loan authorized by this section is received by the Administrator before the date of the expiration of the veteran's entitlement, the loan may be guaranteed or insured pursuant to the provisions of this section after such date; and if a commitment for a direct loan is issued by the Administrator on or before the date of expiration of the veteran's entitlement, the loan may be made after such date."

(b) The table of sections at the beginning of chapter 37 of such title is amended by inserting below

"1817. Release from liability under guaranty."

the following:

"1818. Veterans of a period of hostilities."

Sec. 8. (a) Section 1901(a) of title 38, United States Code, is amended by striking out "or the Korean conflict" and inserting in lieu thereof "the Korean conflict, or a period of hostilities."

(b) Section 1905 of such title is amended by adding at the end thereof a new sentence as follows: "In the case of any veteran whose eligibility under this chapter is based upon service performed during a period of hostilities and whose date of discharge or release from active military, naval, or air service preceded the date of enactment of this sentence, the five-year period referred to in the first sentence of this section shall not begin to run until such date of enactment."

Sec. 9. (a) Section 2101(a) of title 38, United States Code, is amended by inserting immediately after "Korean conflict" the following: "or a period of hostilities".

(b) Section 2101(b)(1) of such title is amended by striking out "if he is a commissioned officer," and inserting in lieu thereof "if he is a commissioned officer whose eligibility under this chapter is based upon service during the Korean conflict."

(c) Section 2102(a) of such title is amended by--

(1) striking out "Mustering-out payment for persons eligible under section 2101 of this title shall be in sums as follows:" and inserting in lieu thereof the following: "(1) Mustering-out payment for persons whose eligibility under section 2101 of this title is based on service during the Korean conflict shall be in sums as follows:";

(2) redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively; and

(3) adding at the end thereof a new paragraph as follows:

"(2) Mustering-out payments for persons whose eligibility under section 2101 of this title is based on service during a period of hostilities shall be in the sum of \$300."

(d) Section 2102(b) of such title is amended by--

(1) striking out in the first sentence "(a)(1)" and inserting in lieu thereof "(a)(1)(A) or (a)(2)";

(2) striking out in the second sentence "(a)(2)" and inserting in lieu thereof "(a)(1)(B)"; and

(3) striking out in the third sentence "(a)(3)" and inserting in lieu thereof "(a)(1)(C)".

(e) Section 2104 of such title is amended by--

(1) striking out in the first sentence "entitled to mustering-out payment" and inserting in lieu thereof "entitled to mustering-out payment by virtue of service performed during the Korean conflict and"; and

(2) inserting after the first sentence a new sentence as follows: "Any member of the Armed Forces entitled to mustering-out payment by virtue of service performed during a period of hostilities and who was discharged or relieved from active duty under honorable conditions prior to the date of enactment of this sentence shall, if application therefor is made within two years after the date of enactment of this sentence, be paid such payment by the Secretary concerned beginning within one month after application has been received and approved."

Sec. 10. Chapter 53 of title 38, United States Code, is amended by adding at the end thereof a new section as follows:

"§ 3111. Authority of President To Designate Areas of Hostilities

"In order that certain provisions of this title, applicable only to veterans who perform service during wartime, may be applicable to veterans who have



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been called upon, during periods when the United States is not engaged in a formally declared war, to serve in areas of the world in which armed conflict or other warlike conditions exist, the President is authorized to designate by Executive order any area of the world outside the United States as an area of hostilities, if he finds (1) that members of the Armed Forces will be called upon to serve in such area, and (2) that while serving in such area members of the Armed Forces are likely to be subjected to armed conflict or similar hazardous, warlike conditions. In designating any area of the world as an area of hostilities, the President shall identify such area in geographic terms and shall, for purposes of benefits under this title, specify the date on which such area becomes an area of hostilities, and, at such time as he finds that members of the Armed Forces are no longer serving in such area or that warlike conditions no longer exist in such area, specify the date on which such area ceases to be an area of hostilities."

[H. R. 5959, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, to provide a program of death indemnification for persons serving in combat zones

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 101 of title 38, United States Code, is amended by adding at the end thereof the following:

"(29) The term 'combat zone' means any area determined by the President to be an area in which units of the Armed Forces of the United States are engaged in combat operations on or after the date of enactment of this paragraph and before such date as may be determined by Presidential proclamation. Such term specifically includes the countries of Laos, Cambodia, and Vietnam, until the President determines that such countries are no longer 'combat zones'."

Sec. 2. (a) Part II of title 38, United States Code, is amended by inserting immediately after chapter 17 thereof the following new chapter:

"CHAPTER 18—COMBAT SERVICEMEN'S INDEMNITY

"Sec.

"550. Definitions.

"551. Coverage provided.

"552. Beneficiaries of insurance.

"553. Waiver of premiums on other insurance.

"§ 550. Definitions

"For the purposes of this chapter—

"(1) The term 'child' does not include a stepchild unless the stepchild either was a member of the insured's household, or was designated as a beneficiary under this chapter by the insured, and the term does not include an illegitimate child unless the child was designated as a beneficiary under this chapter by the insured.

"(2) The term 'parent' includes a stepparent if designated as a beneficiary under this chapter by the insured, and only includes the mother and father who last bore that relationship to the insured.

"(3) The terms 'brother' and 'sister' include those of the halfblood and those through adoption.

"(4) The term 'United States', when used in a geographical sense, means the several States and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

"§ 551. Coverage provided

"(a) Each member of the Armed Forces on active duty in a combat zone after the date of enactment of this chapter is automatically insured by the United States, without cost to such member, against death on active duty while in a combat zone and for one hundred and twenty days thereafter.

"(b) The insurance provided by subsection (a) shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance, national service life insurance, and commercial life insurance held by the insured and in force at the time of his death.

"§ 552. Beneficiaries of insurance

"(a) Upon certification by the Secretary concerned of the death of any member insured under section 551 of this title, the Administrator shall pay the insurance only to the surviving spouse, children, parents, or brothers and sisters of the insured. The insurance shall be paid in a lump sum.

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"(b) The insured may designate the beneficiaries of the insurance within the classes named in subsection (a); may designate the proportion of the principal amount to be paid to each; and may change beneficiaries within the classes without their consent.

"(c) If a designated beneficiary does not survive the insured, or if none has been designated, payment shall be made to the first eligible beneficiary among the classes and in the order named in subsection (a); and if the class is composed of more than one individual, payments shall be made in equal shares among such individuals.

"(d) No payments shall be made under this chapter to the estate of any deceased individual.

**"§ 653. Waiver of premiums on other insurance**

"(a) Any member of the Armed Forces may apply for, and shall be granted, waiver of premiums under this section on any policy of national service life insurance or United States Government life insurance for periods during which he is in a combat zone and for one hundred and twenty days thereafter. Any such waiver shall render the insurance nonparticipating while the waiver is in effect.

"(b) While any waiver of premiums is in effect under this section—

"(1) all premiums on five-year level premium term insurance shall be waived; and

"(2) the portion of premiums on all other insurance which represents the pure insurance risk shall be waived; effective as of the first day of the first calendar month beginning after the member first serves in a combat zone, and ending as of the last day of the first calendar month beginning more than one hundred and twenty days after he leaves a combat zone.

"(c) Where benefits under any policy of insurance under waiver of premiums under this section become payable, liability for such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits. Computations of such benefits shall be based upon the same tables and rates of interest as apply with respect to the policy involved. The Administrator shall from time to time transfer from the national service life insurance appropriation to the national service life insurance fund, and from the military and naval insurance appropriation to the United States Government life insurance fund such sums as may be necessary to carry out this subsection."

"(b) The table of chapters at the head of chapter 11 of title 38, United States Code, is amended by inserting immediately below the line beginning "17," the following:

"18. Combat servicemen's indemnity."

"(c) The table of chapters at the head of title 38, United States Code, is amended by inserting immediately below the line beginning "17," the following:

"18. Combat servicemen's indemnity."

[H.R. 5961, 89th Cong., 1st sess.]

A BILL To amend title 38 of the United States Code to provide a program of insurance for members of the Armed Forces who are unable to obtain commercial insurance at standard rates because of being assigned to duty in a combat zone or performing extrahazardous duty

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subchapter 1 of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following new section:

**§ 726. Insurance for certain members of the Armed Forces**

"(a) Any member of the Armed Forces who makes application in writing to the Administrator in such form as the Administrator prescribes and establishes to the satisfaction of the Administrator that he cannot obtain commercial life insurance at a standard rate

"(1) because of the nature of the duties he performs, as such a member, or

"(2) covering him in any place to which he may be ordered as such a member,

shall, upon payment of the required premiums, be issued insurance under this section

"(b) Insurance issued under this section shall be issued upon the same terms and conditions as are contained in the standard policies of national service life insurance except that (1) limited convertible term insurance may not be issued or renewed on the term plan after the insured's fiftieth birthday; (2) the premium rates for such limited convertible term or permanent plan insurance shall be based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (3) all settlements on policies involving annuities on insurance issued under this section shall be calculated on the basis of The Annuity Table for 1949 and interest at the rate of 2½ per centum per annum; (4) all cash, loan, paid-up, and extended values, and, except as otherwise provided in this section, all other calculations in connection with insurance issued under this section shall be based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (5) insurance and any total disability provision added thereto issued under this section shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited directly to a revolving fund established in the Treasury of the United States and payments on such insurance and any total disability provision added thereto shall be made directly from such fund.

"(c) There are authorized to be appropriated such sums as may be required to provide capital for such revolving fund. Such appropriations shall be advanced to the revolving fund as needed and shall bear interest as determined by the Secretary of the Treasury, taking into consideration the average yield on all marketable interest-bearing obligations of the United States of comparable maturities then forming a part of the public debt and shall be repaid to the Treasury over a reasonable period of time.

"(d) The Administrator is authorized to set aside out of the revolving fund established under subsection (b) of this section such reserve amounts as may be required under accepted actuarial principles to meet all liabilities on insurance issued under this section and any total disability income provision attached thereto. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield.

"(e) The insurance provided by this section shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance, national service life insurance, and commercial life insurance held by the insured and in force at the time of his death."

"(b) The analysis of subchapter I of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following:

"725. Insurance for certain members of the Armed Forces."

Sec. 3. The amendments made by this Act shall take effect on the sixtieth day after the date of its enactment.

[H. R. 6101, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, to provide wartime rates of disability compensation for veterans disabled from injury or disease incurred or aggravated by overseas service and free insurance protection for members of the Armed Forces serving overseas

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 336 of title 38, United States Code, is amended by striking out "or (3)" and inserting in lieu thereof "(3)", and by inserting immediately before the period at the end thereof the following: "or (4) after the date of enactment of this clause and while performing active duty outside the continental United States, Hawaii, the Commonwealth of Puerto Rico, and the possessions of the United States".

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SEC. 2. (a) Part II of title 38, United States Code, is amended by inserting immediately after chapter 17 thereof the following new chapter:

"For the purposes of this chapter--

**"CHAPTER 18--OVERSEAS SERVICEMEN'S INDEMNITY**

"Sec.

"650. Definitions.

"651. Coverage provided.

"652. Beneficiaries of insurance.

"653. Waiver of premiums on other insurance.

**"§ 650. Definitions**

"(1) The term 'child' does not include a stepchild unless the stepchild either was a member of the insured's household, or was designated as a beneficiary under this chapter by the insured, and the term does not include an illegitimate child unless the child was designated as a beneficiary under this chapter by the insured.

"(2) The term 'parent' includes a stepparent if designated as a beneficiary under this chapter by the insured; and only includes the mother and father who last bore that relationship to be insured.

"(3) The terms 'brother' and 'sister' include those of the halfblood and those through adoption.

"(4) The term 'United States', when used in a geographical sense, means the several States and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

**"§ 651. Coverage provided**

"(a) Each member of the Armed Forces on active duty outside the United States after the date of enactment of this chapter is automatically insured by the United States, without cost to such member, against death on active duty while outside the United States.

"(b) The insurance provided by subsection (a) shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance or national service life insurance held by the insured and in force at the time of his death.

**"§ 652. Beneficiaries of insurance**

"(a) Upon certification by the Secretary concerned of the death of any member insured under section 651 of this title, the Administrator shall pay the insurance only to the surviving spouse, children, parents, or brothers and sisters of the insured. The insurance shall be paid in a lump sum.

"(b) The insured may designate the beneficiaries of the insurance within the classes named in subsection (a); may designate the proportion of the principal amount to be paid to each; and may change beneficiaries within the classes without their consent.

"(c) If a designated beneficiary does not survive the insured, or if none has been designated, payment shall be made to the first eligible beneficiary among the classes and in the order named in subsection (a); and if the class is composed of more than one individual, payments shall be made in equal shares among such individuals.

"(d) No payments shall be made under this chapter to the estate of any deceased individual.

**"§ 653. Waiver of premiums on other insurance**

"(a) Any member of the Armed Forces may apply for, and shall be granted, waiver of premiums under this section on any policy of national service life insurance or United States Government life insurance for periods during which he is outside the United States. Any such waiver shall render the insurance non-participating while the waiver is in effect.

"(b) While any waiver of premiums is in effect under this section--

"(1) all premiums on five-year level premium term insurance shall be waived; and

"(2) the portion of premiums on all other insurance which represents the pure insurance risk shall be waived;

effective as of the first day of the first calendar month beginning after the member is first outside the United States, and ending as of the last day of the first calendar month beginning after he thereafter enters the United States.

"(c) Where benefits under any policy of insurance under waiver of premiums under this section become payable, liability for such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the

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time of maturity, will equal the then value of such benefits. Computations of such benefits shall be based upon the same tables and rates of interest as apply with respect to the policy involved. The Administrator shall from time to time transfer from the national service life insurance appropriation to the national service life insurance fund, and from the military and naval insurance appropriation to the United States Government life insurance fund such sums as may be necessary to carry out this subsection."

(b) The table of chapters at the head of part II of title 38, United States Code, is amended by inserting immediately below the line beginning "17," the following:

"18. Overseas Servicemen's Indemnity."

(c) The table of chapters at the head of title 38, United States Code, is amended by inserting immediately below the line beginning "17," the following:

"18. Overseas Servicemen's Indemnity."

[H. R. 6273, 89th Cong., 1st sess.]

A BILL To amend title 38 of the United States Code to provide a program of insurance for members of the Armed Forces who are unable to obtain commercial insurance at standard rates because of being assigned to duty in a combat zone or performing extraordinary duty

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subchapter I of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following new section:

"§ 726. Insurance for certain members of the Armed Forces

"(a) Any member of the Armed Forces who makes application in writing to the Administrator in such form as the Administrator prescribes and establishes to the satisfaction of the Administrator that he cannot obtain commercial life insurance at a standard rate—

"(1) because of the nature of the duties he performs as such a member, or

"(2) covering him in any place to which he may be ordered as such a member,

shall, upon payment of the required premiums, be issued insurance under this section.

"(b) Insurance issued under this section shall be issued upon the same terms and conditions as are contained in the standard policies of national service life insurance except that: (1) limited convertible term insurance may not be issued or renewed on the term plan after the insured's fiftieth birthday; (2) the premium rates for such limited convertible term or permanent plan insurance shall be based on table X-18 (1950-53 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (3) all settlements on policies involving annuities on insurance issued under this section shall be calculated on the basis of The Annuity Table for 1949, and interest at the rate of 2½ per centum per annum; (4) all cash, loan, paid-up, and extended values, and, except as otherwise provided in this section, all other calculations in connection with insurance issued under this section shall be based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (5) insurance and any total disability provision added thereto issued under this section shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited directly to a revolving fund established in the Treasury of the United States and payment on such insurance and any total disability provision added thereto shall be made directly from such fund.

"(c) There are authorized to be appropriated such sums as may be required to provide capital for such revolving fund. Such appropriations shall be advanced to the revolving fund as needed and shall bear interest as determined by the Secretary of the Treasury, taking into consideration the average yield on all marketable interest-bearing obligations of the United States of comparable maturities then forming a part of the public debt and shall be repaid to the Treasury over a reasonable period of time.

"(d) The Administrator is authorized to set aside out of the revolving fund established under subsection (b) of this section such reserve amounts as may be required under accepted actuarial principles to meet all liabilities on insurance issued under this section and any total disability income provision attached thereto. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities

fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield.

"(c) The insurance provided by this section shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance, national service life insurance, and commercial life insurance held by the insured and in force at the time of his death."

(b) The analysis of subchapter I of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following:

"726. Insurance for certain members of the Armed Forces."

Sec. 3. The amendments made by this Act shall take effect on the sixtieth day after the date of its enactment.

[H. R. 8351, 89th Cong., 1st sess.]

A BILL To amend title 38 of the United States Code to provide a program of insurance for members of the Armed Forces who are unable to obtain commercial insurance at standard rates because of being assigned to duty in a combat zone or performing extrahazardous duty

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subchapter I of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following new section:

"§ 726. Insurance for certain members of the Armed Forces

"(a) Any member of the Armed Forces who makes application in writing to the Administrator in such form as the Administrator prescribes and establishes to the satisfaction of the Administrator that he cannot obtain commercial life insurance at a standard rate—

"(1) because of the nature of the duties he performs as such a member, or

"(2) covering him in any place to which he may be ordered as such a member,

shall, upon payment of the required premiums, be issued insurance under this section.

"(b) Insurance issued under this section shall be issued upon the same terms and conditions as are contained in the standard policies of national service life insurance except that (1) limited convertible term insurance may not be issued or renewed on the term plan after the insured's fiftieth birthday; (2) the premium rates for such limited convertible term or permanent plan insurance shall be based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (3) all settlements on policies involving annuities on insurance issued under this section shall be calculated on the basis of The Annuity Table for 1949, and interest at the rate of 2½ per centum per annum; (4) all cash, loan, paid-up, and extended values, and, except as otherwise provided in this section, all other calculations in connection with insurance issued under this section shall be based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (5) insurance and any total disability provision added thereto issued under this section shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited directly to a revolving fund established in the Treasury of the United States and payments on such insurance and any total disability provision added thereto shall be made directly from such fund.

"(c) There are authorized to be appropriated such sums as may be required to provide capital for such revolving fund. Such appropriations shall be advanced to the revolving fund as needed and shall bear interest as determined by the Secretary of the Treasury, taking into consideration the average yield on all marketable interest-bearing obligations of the United States of comparable maturities then forming a part of the public debt and shall be repaid to the Treasury over a reasonable period of time.

"(d) The Administrator is authorized to set aside out of the revolving fund established under subsection (b) of this section such reserve amounts as may be required under accepted actuarial principles to meet all liabilities on insurance issued under this section and any total disability income provision attached thereto. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield.

"(e) The insurance provided by this section shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance, national service life insurance, and commercial life insurance held by the insured and in force at the time of his death."

(b) The analysis of subchapter I of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following:

"729. Insurance for certain members of the Armed Forces."

SEC. 3. The amendments made by this Act shall take effect on the sixtieth day after the date of its enactment.

[H. R. 6398, 89th Cong., 1st sess.]

A BILL To amend title 38 of the United States Code to authorize wartime benefits for veterans who, during peacetime, have engaged in hostilities overseas in furtherance of the Nation's interests, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be known as the "Cold War Veterans' Assistance Act".*

#### TITLE I—TO ELIMINATE THE DIFFERENTIAL BETWEEN THE WARTIME AND PEACETIME RATES OF DISABILITY AND DEATH COMPENSATION

SEC. 101. Chapter 11 of title 38, United States Code, is amended as follows:

- (1) By striking out paragraph (2) of section 301 and redesignating paragraphs (3) and (4) as paragraphs "(2)" and "(3)", respectively;
- (2) By striking out "Wartime" in the heading of subchapter II thereof;
- (3) By striking out "during a period of war," in section 310 thereof;
- (4) By striking out "during a period of war" in section 312 thereof;
- (5) By striking out "wartime" in the heading of section 314 thereof;
- (6) By striking out "Wartime" in the heading of subchapter III;
- (7) By striking out "during a period of War," in section 321;
- (8) By striking out "wartime" in the heading of section 322;
- (9) By repealing subchapters IV and V;
- (10) By striking out the subchapter heading immediately before section 351 and inserting in lieu thereof the following:

"Subchapter IV—General Compensation Provisions;"

and

- (11) By repealing the provisions of section 357 and the heading thereof.

SEC. 102. The analysis of chapter 11 of title 38, United States Code, is amended as follows:

- (1) By striking out:

"SUBCHAPTER II—Wartime"

and inserting in lieu thereof

- (2) By striking out  
"SURCHAPTER III—Wartime"  
and inserting in lieu thereof  
"SURCHAPTER III—";
- (3) By striking out  
"322. Rates of wartime"  
and inserting in lieu thereof  
"322. Rates of";
- (4) By striking out  
"SURCHAPTER IV"  
and all that follows down through  
"SURCHAPTER VI—General Compensation Provisions"  
and inserting in lieu thereof the following:  
"SURCHAPTER IV—GENERAL COMPENSATION PROVISIONS"; and
- (5) By striking out  
"357. Combination of certain ratings."

SEC. 103. The amendments and repeals made by this title shall take effect on the first day of the first calendar month which begins more than sixty days after the date of enactment of this Act.

## TITLE II—BENEFITS FOR VETERANS OF AREAS OF HOSTILITIES

SEC. 201. Section 101 of title 38, United States Code, is amended by adding at the end thereof the following:

"(29) The term 'area of hostilities' means any area determined by the President to be an area in which units of the Armed Forces of the United States have served overseas in any combat capacity, as may be determined by the President, and the term 'period of hostilities' means the period during which such service was rendered as determined by the President. Such terms specifically include service in Vietnam, until the President determines that Vietnam is no longer an area of hostilities and the period of hostilities there has ended."

### HOUSING AND OTHER LOANS

SEC. 202. (a) The table of sections at the beginning of chapter 37 of title 38, United States Code, is amended by inserting immediately below

"1817. Release from liability under guaranty."

the following

"1818. Veterans who serve in an area of hostilities."

(b) Such chapter 37 is further amended by inserting immediately after section 1817 the following new section:

#### "§1818. Veterans who serve in an area of hostilities

"(a) Each veteran who has performed active duty in an area of hostilities shall be eligible for the benefits of this chapter in the same manner and to the same extent as though his service had been performed during World War II or the Korean conflict.

"(b) Where a veteran is or was eligible for the benefits of this chapter on account of service during World War II or the Korean conflict, he shall not be eligible for the benefits of this section—

"(A) except to the extent that his entitlement based on World War II or Korean conflict service has not been used; and

"(B) until he is no longer eligible for such unused benefits based on World War II or Korean conflict service.

"(c) Loans may be guaranteed under this section if made before the expiration of ten years after the discharge or release of the veteran from a period of active duty, any part of which was performed in an area of hostilities. In addition, if a loan report or an application for loan guaranty is received by the Administrator before the expiration of such 10-year period, not to exceed one year will be allowed in addition for disbursement of the loan and issuance of evidence of guaranty."



#### HOSPITALIZATION

SEC. 203. Paragraph (1) of section 101 of title 38, United States Code, is amended to read as follows:

"(1) The term 'period of war' means the Spanish-American War, World War I, World War II, the Korean conflict, the period beginning on the date of any future declaration of war by the Congress and ending on a date prescribed by Presidential proclamation or concurrent resolution of the Congress, and includes, in the case of any veteran who has served in an area of hostilities, the period of such service."

#### PENSION TO VETERANS AND THEIR WIDOWS AND CHILDREN

SEC. 204. (a)(1) Subsection (a) of section 521 of title 38, United States Code, is amended by inserting immediately after "Korean conflict," the following: "and to each veteran of service in an area of hostilities,"

(2) Subsection (f) of such section 521 is amended by striking out "or" at the end of paragraph (3); by striking out the period at the end of paragraph (4) and inserting in lieu thereof "; or", and by adding at the end thereof the following:

"(5) in an area of hostilities."

(3) The catchline of such section 521 is amended by adding at the end thereof "or of service in an area of hostilities".

(4) Item 521 in the analysis of chapter 15 of title 38, United States Code, is amended by inserting immediately before the period at the end thereof the following:

"or of service in an area of hostilities".

(b)(1) Subsection (a) of sections 541 and 542 of title 38, United States Code, are each amended by inserting immediately after "or the Korean conflict" the following: "or of service in an area of hostilities".

(2) Paragraph (1) of subsection (c) of section 541 of title 38, United States Code, is amended by inserting immediately after "Korean conflict veteran" the following: "or (1) the expiration of ten years after the end of his service in a combat zone, in the case of a widow of a veteran of service in an area of hostilities".

(3) The catchlines of such sections 541 and 542 are each amended by striking out "or Korean conflict" and inserting in lieu thereof "Korean conflict, or an area of hostilities".

(4) Items 541 and 542 of the analysis of chapter 15 of title 38, United States Code, are each amended by striking out

"or Korean conflict"

and inserting in lieu thereof

"Korean conflict, or an area of hostilities".

#### ASSISTANCE IN ACQUIRING SPECIALLY ADAPTED AUTOMOBILES

SEC. 205. (a) Section 1901(a) of title 38, United States Code, is amended by inserting immediately after "Korean conflict" the following: "or during service in an area of hostilities".

(b)(1) Section 1905 of title 38, United States Code, is repealed.

(2) Item 1905 in the analysis of chapter 39 of title 38, United States Code, is repealed.

#### INSURANCE PROTECTION

SEC. 206. (a) Part II of title 38, United States Code, is amended by inserting immediately after chapter 17 thereof the following new chapter:

#### "CHAPTER 18—SERVICEMEN'S INDEMNITY FOR SERVICE IN AN AREA OF HOSTILITIES

"Sec.

"650. Definitions.

"651. Coverage provided.

"652. Beneficiaries of insurance.

"653. Waiver of premiums on other insurance.

#### "§ 650. Definitions

"For the purposes of this chapter:—

"(1) The term 'child' does not include a stepchild unless the stepchild either was a member of the insured's household, or was designated as a beneficiary under this chapter by the insured, and the term does not include an illegitimate

child unless the child was designated as a beneficiary under this chapter by the insured.

"(2) The term 'parent' includes a stepparent if designated as a beneficiary under this chapter by the insured; and only includes the mother and father who last bore that relationship to the insured.

"(3) The terms 'brother' and 'sister' include those of the halfblood and those through adoption.

"(4) The term 'United States', when used in a geographical sense, means the several States and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

**"§ 651. Coverage provided**

"(a) Each member of the Armed Forces on active duty in an area of hostilities after the date of enactment of this chapter is automatically insured by the United States, without cost to such member, against death on active duty while in an area of hostilities and for one hundred and twenty days thereafter.

"(b) The insurance provided by subsection (a) shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance or national service life insurance held by the insured and in force at the time of his death.

**"§ 652. Beneficiaries of insurance**

"(a) Upon certification by the Secretary concerned of the death of any member insured under section 651 of this title, the Administrator shall pay the insurance only to the surviving spouse, children, parents, or brothers and sisters of the insured. The insurance shall be paid in a lump sum.

"(b) The insured may designate the beneficiaries of the insurance within the classes named in subsection (a); may designate the proportion of the principal amount to be paid to each; and may change beneficiaries within the classes without their consent.

"(c) If a designated beneficiary does not survive the insured, or if none has been designated, payment shall be made to the first eligible beneficiary among the classes and in the order named in subsection (a); and if the class is composed of more than one individual, payments shall be made in equal shares among such individuals.

"(d) No payments shall be made under this chapter to the estate of any deceased individual.

**"§ 653. Waiver of premiums on other insurance**

"(a) Any member of the Armed Forces may apply for, and shall be granted, waiver of premiums under this section on any policy of national service life insurance or United States Government life insurance for periods during which he is in an area of hostilities and for one hundred and twenty days thereafter. Any such waiver shall render the insurance nonparticipating while the waiver is in effect.

"(b) While any waiver of premiums is in effect under this section—

"(1) all premiums on five-year level premium term insurance shall be waived; and

"(2) the portion of premiums on all other insurance which represents the pure insurance risk shall be waived; effective as of the first day of the first calendar month beginning after the member first serves in an area of hostilities, and ending as of the last day of the first calendar month beginning more than one hundred and twenty days after he leaves an area of hostilities.

"(c) Where benefits under any policy of insurance under waiver of premiums under this section become payable, liability for such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits. Computations of such benefits shall be based upon the same tables and rates of interest as apply with respect to the policy involved. The Administrator shall from time to time transfer from the national service life insurance appropriation to the national service life insurance fund, and from the military and naval insurance appropriation to the United States Government life insurance fund such sums as may be necessary to carry out this subsection."

"(b) The table of chapters at the head of chapter 11 of title 38, United States Code, is amended by inserting immediately below the line beginning "17." the following:

"18. Servicemen's Indemnity for Service in an Area of Hostilities."

(c) The table of chapters at the head of title 38, United States Code, is amended by inserting immediately below the line beginning "17." the following:

"18. Servicemen's Indemnity for Service in an Area of Hostilities."

#### DECORATIONS

SEC. 207. For the purposes of award of all decorations and awards authorized for members of the Armed Forces, service by a member of the Armed Forces in an area of hostilities (as defined in title 38, United States Code) shall be treated the same as if it were as service in combat in time of war declared by the Congress.

SEC. 208. The President, acting through the Administrator of Veterans' Affairs is authorized to make loans for the purchase or construction of homes to veterans of service in the Armed Forces of the United States during World War II or the Korean conflict, or who have served in an area of hostilities during a period of hostilities (as defined in title 38, United States Code, as amended by this Act), who are residing in foreign countries, where such veterans would, if residing in the United States, be entitled to assistance under title 38, United States Code, in obtaining a guaranteed or insured loan for the purchase or construction of a home.

SEC. 209. For the purpose of making loans under section 208 of this Act, the President is authorized to make available in such amounts as may be specified from time to time in appropriation Acts, foreign currencies accruing under the Agricultural Trade Development and Assistance Act of 1954.

SEC. 210. The maximum amount of any loan which may be made to a veteran under section 208 of this Act, who is residing abroad, shall not exceed the equivalent of \$10,000. The terms of repayment of such loans, provisions relating to security therefor, and other provisions with respect to such loans and their repayment, shall be prescribed by the President, acting through the Administrator of Veterans' Affairs, in general conformity to provisions applicable to direct loans made under title 38, United States Code, with such modifications as the President may determine to be required by conditions in the foreign country in which the loan is made: *Provided, however,* That the amount of any loan made under the provisions of this Act would become immediately due and payable if the veteran to whom such loan is made sells or otherwise disposes of the real property for which such loan was made.

[H.R. 9725, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, in order to provide special indemnity insurance for members of the Armed Forces serving in combat zones

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) chapter 19 of title 38, United States Code, is amended by adding at the end thereof a new section as follows:

#### § 789. Special indemnity insurance for members of the Armed Forces serving in combat zones

"(a) Any person on active duty with the Armed Forces in a combat zone shall, as provided in this section, be automatically insured by the United States without cost to such person, against death in the principal amount of \$10,000. Such person shall be insured during the time that he serves in a combat zone, and shall be deemed to have been serving in a combat zone at the time of his death if he died outside of a combat zone and (1) his death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in a combat zone, and (2) the injury or disease from which such person died was incurred not more than two years prior to death.

"(b) Upon certification by the Secretary of the military department concerned of the death of any person automatically insured under this section, the Administrator shall cause the indemnity to be paid as provided in subsection (c) only to the surviving spouse, child, or children (including a stepchild, adopted child, or an illegitimate child, if the latter was designated as beneficiary by the insured), parent (including a stepparent, parent by adoption, or person who stood in loco parentis to the insured at any time prior to entry into the active service for a period of not less than one year), brother, or sister of the insured, including those of the halfblood and those through adoption. The insured shall have the right to designate the beneficiary or beneficiaries of the indemnity within the classes herein provided; to designate the proportion of the principal amount to be paid to each; and to change the beneficiary or beneficiaries without the consent thereof but only

within the classes herein provided. If the designated beneficiary or beneficiaries do not survive the insured, or if none has been designated, the Administrator shall make payment of the indemnity to the first eligible class of beneficiaries according to the order set forth above, and in equal shares if the class is composed of more than one person. Unless designated otherwise by the insured, the term 'parent' shall include only the mother and father who last bore that relationship to the insured. Any installments of an indemnity not paid to a beneficiary during such beneficiary's lifetime shall be paid to the named contingent beneficiary, if any; otherwise, to the beneficiary or beneficiaries within the permitted class next entitled to priority, but no payment shall be made to the estate of any deceased person.

"(c) The indemnity shall be payable in equal monthly installments of one hundred and twenty in number with interest at the rate of 2¼ per centum per annum.

"(d) In the event any person was covered at the time of his death by automatic indemnity under this section and was also insured against such death under a contract of national service life insurance or United States Government life insurance, the indemnity authorized to be paid hereunder shall be a principal amount equal to the difference between the amount of insurance in force at the time of death and \$10,000.

"(e) The Administrator is authorized to promulgate such rules and regulations, not inconsistent with this section, as are necessary or appropriate to carry out its purposes.

"(f) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this section for the payment of liabilities under this section.

"(g) Any person guilty of mutiny, treason, spying, or desertion shall forfeit all rights to an indemnity under this section, but restoration to active duty after commission of any such offense shall restore all rights under this section. No indemnity shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy, as defined by the President.

"(h) As used in this section, the term 'combat zone' means any area outside the United States in which it is determined by the President that units of the Armed Forces are engaged in combat operations. The geographical limits of any such area shall be defined by the President and such area shall be considered a combat zone for purposes of this section during such period as may be prescribed by Presidential proclamation. Such term shall specifically include those areas outside the United States determined by the President to be areas in which units of the Armed Forces of the United States have engaged in combat operations on or after January 1, 1962, and before such date as may be determined by Presidential proclamation."

(b) The analysis of subchapter III of chapter 19 of such title is amended by adding at the end thereof the following:

"789: Special indemnity insurance for members of the Armed Forces serving in combat zones."

[H.R. 9748, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, to provide wartime rates of disability compensation for veterans disabled from injury or disease incurred or aggravated by overseas service and free insurance protection for members of the Armed Forces serving overseas.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 336 of title 38, United States Code, is amended by striking out "or (3)" and inserting in lieu thereof "(3)", and by inserting immediately before the period at the end thereof the following: "or (4) after the date of enactment of this clause and while performing active duty outside the continental United States, Hawaii, the Commonwealth of Puerto Rico, and the possessions of the United States".

Sec. 2. (a) Part II of title 38, United States Code, is amended by inserting immediately after chapter 17 thereof the following new chapter:

#### "CHAPTER 18—OVERSEAS SERVICEMEN'S INDEMNITY

- "Sec.
- "650. Definitions.
- "651. Coverage provided.
- "652. Beneficiaries of insurance.
- "653. Waiver of premiums on other insurance.

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**"§ 650. Definitions**

"For the purposes of this chapter—

"(1) The term 'child' does not include a stepchild unless the stepchild either was a member of the insured's household, or was designated as a beneficiary under this chapter by the insured, and the term does not include an illegitimate child unless the child was designated as a beneficiary under this chapter by the insured.

"(2) The term 'parent' includes a stepparent if designated as a beneficiary under this chapter by the insured; and only includes the mother and father who last bore that relationship to the insured.

"(3) The terms 'brother' and 'sister' include those of the halfblood and those through adoption.

"(4) The term 'United States', when used in a geographical sense, means the several States and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

**"§ 651. Coverage provided**

"(a) Each member of the Armed Forces on active duty outside the United States after the date of enactment of this chapter is automatically insured by the United States, without cost to such member, against death on active duty while outside the United States.

"(b) The insurance provided by subsection (a) shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance or national service life insurance held by the insured and in force at the time of his death.

**"§ 652. Beneficiaries of insurance**

"(a) Upon certification by the Secretary concerned of the death of any member insured under section 651 of this title, the Administrator shall pay the insurance only to the surviving spouse, children, parents, or brothers and sisters of the insured. The insurance shall be paid in a lump sum.

"(b) The insured may designate the beneficiaries of the insurance within the classes named in subsection (a); may designate the proportion of the principal amount to be paid to each; and may change beneficiaries within the classes without their consent.

"(c) If a designated beneficiary does not survive the insured, or if none has been designated, payment shall be made to the first eligible beneficiary among the classes and in the order named in subsection (a); and if the class is composed of more than one individual, payments shall be made in equal shares among such individuals.

"(d) No payments shall be made under this chapter to the estate of any deceased individual.

**"§ 653. Waiver of premiums on other insurance**

"(a) Any member of the Armed Forces may apply for, and shall be granted, waiver or premiums under this section on any policy of national service life insurance of United States Government life insurance for periods during which he is outside the United States. Any such waiver shall render the insurance nonparticipating while the waiver is in effect.

"(b) While any waiver of premiums is in effect under this section—

"(1) all premiums on five-year level premium term insurance shall be waived; and

"(2) the portion of premiums on all other insurance which represents the pure insurance risk shall be waived; effective as of the first day of the first calendar month beginning after the member is first outside the United States, and ending as of the last day of the first calendar month beginning after he thereafter enters the United States.

"(c) Where benefits under any policy of insurance under waiver of premiums under this section become payable, liability for such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits. Computations of such benefits shall be based upon the same tables and rates of interest as apply with respect to the policy involved. The Administrator shall from time to time transfer from the national service life insurance appropriation to the national service life insurance fund, and from the military and naval insurance appropriation to the United States Government life insurance fund such sums as may be necessary to carry out this subsection."

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(b) The table of chapters at the head of part II of title 38, United States Code, is amended by inserting immediately below the line beginning "17." the following:

"18. Overseas Servicemen's Indemnity."

(c) The table of chapters at the head of title 38, United States Code, is amended by inserting immediately below the line beginning "17." the following:

"18. Overseas Servicemen's Indemnity."

[H.R. 10053, 80th Cong., 1st sess.]

A BILL To amend title 38, United States Code, to provide wartime rates of disability compensation for veterans disabled from injury or disease incurred or aggravated by overseas service and for insurance protection for members of the Armed Forces serving overseas

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That section 336 of title 38, United States Code, is amended by striking out "or (3)" and inserting in lieu thereof "(3)", and by inserting immediately before the period at the end thereof the following: "or (4) after the date of enactment of this clause and while performing active duty outside the continental United States, Hawaii, the Commonwealth of Puerto Rico, and the possessions of the United States".

Sec. 2. (a) Part II of title 38, United States Code, is amended by inserting immediately after chapter 17 thereof the following new chapter:

**"CHAPTER 18—OVERSEAS SERVICEMEN'S INDEMNITY**

"Sec.

"550. Definitions.

"551. Coverage provided.

"552. Beneficiaries of insurance.

"553. Waiver of premiums on other insurance.

**"§ 550. Definitions**

"For the purposes of this chapter—

"(1) The term 'child' does not include a stepchild unless the stepchild either was a member of the insured's household, or was designated as a beneficiary under this chapter by the insured, and the term does not include an illegitimate child unless the child was designated as a beneficiary under this chapter by the insured.

"(2) The term 'parent' includes a stepparent if designated as a beneficiary under this chapter by the insured; and only includes the mother and father who last bore that relationship to the insured.

"(3) The terms 'brother' and 'sister' include those of the halfblood and those through adoption.

"(4) The term 'United States', when used in a geographical sense, means the several States and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

**"§ 551. Coverage provided**

"(a) Each member of the Armed Forces on active duty outside the United States after the date of enactment of this chapter is automatically insured by the United States, without cost to such member, against death on active duty while outside the United States.

"(b) The insurance provided by subsection (a) shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance or national service life insurance held by the insured and in force at the time of his death.

**"§ 552. Beneficiaries of insurance**

"(a) Upon certification by the Secretary concerned of the death of any member insured under section 551 of this title, the Administrator shall pay the insurance only to the surviving spouse, children, parents, or brothers and sisters of the insured. The insurance shall be paid in a lump sum.

"(b) The insured may designate the beneficiaries of the insurance within the classes named in subsection (a); may designate the proportion of the principal amount to be paid to each; and may change beneficiaries within the classes without their consent.

"(c) If a designated beneficiary does not survive the insured, or if none has been designated, payment shall be made to the first eligible beneficiary among

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the classes and in the order named in subsection (a); and if the class is composed of more than one individual, payments shall be made in equal shares among such individuals.

"(d) No payments shall be made under this chapter to the estate of any deceased individual.

**"§ 653. Waiver of premiums on other insurance**

"(a) Any member of the Armed Forces may apply for, and shall be granted, waiver of premiums under this section on any policy of national service life insurance or United States Government life insurance for periods during which he is outside the United States. Any such waiver shall render the insurance nonparticipating while the waiver is in effect.

"(b) While any waiver of premiums is in effect under this section--

"(1) all premiums on five-year level premium term insurance shall be waived; and

"(2) the portion of premiums on all other insurance which represents the pure insurance risk shall be waived;

effective as of the first day of the first calendar month beginning after the member is first outside the United States, and ending as of the last day of the first calendar month beginning after he thereafter enters the United States.

"(c) Where benefits under any policy of insurance under waiver of premiums under this section become payable, liability for such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits. Computations of such benefits shall be based upon the same tables and rates of interest as apply with respect to the policy involved. The Administrator shall from time to time transfer from the national service life insurance appropriation to the national service life insurance fund, and from the military and naval insurance appropriation to the United States Government life insurance fund such sums as may be necessary to carry out this subsection."

"(b) The table of chapters at the head of part II of title 38, United States Code, is amended by inserting immediately below the line beginning "17." the following:

"18. Overseas Servicemen's Indemnity."

"(c) The table of chapters at the head of title 38, United States Code, is amended by inserting immediately below the line beginning "17." the following:

"18. Overseas Servicemen's Indemnity."

[H.R. 10272, 89th Cong., 1st sess.]

A BILL To amend title 38 of the United States Code to provide a program of insurance for members of the Armed Forces who are unable to obtain commercial insurance at standard rates because of being assigned to duty in a combat zone or performing extraordinary duty

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subchapter I of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following new section:

**"§ 726. Insurance for certain members of the Armed Forces**

"(a) Any member of the Armed Forces who makes application in writing to the Administrator in such form as the Administrator prescribes and establishes to the satisfaction of the Administrator that he cannot obtain commercial life insurance at a standard rate--

"(1) because of the nature of the duties he performs as such a member, or

"(2) covering him in any place to which he may be ordered as such a member, shall, upon payment of the required premiums, be issued insurance under this section.

"(b) Insurance issued under this section shall be issued upon the same terms and conditions as are contained in the standard policies of national service life insurance except that (1) limited convertible term insurance may not be issued or renewed on the term plan after the insured's fiftieth birthday; (2) the premium rates for such limited convertible term or permanent plan insurance shall be based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (3) all settlements on policies involving annuities on insurance issued under this section shall be calculated on the basis of the Annuity Table for 1949, and interest at the rate of 2½ per centum per

annum; (4) all cash, loan, paid-up, and extended values, and, except as otherwise provided in this section, all other calculations in connection with insurance issued under this section shall be based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (5) insurance and any total disability provision added thereto issued under this section shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited directly to a revolving fund established in the Treasury of the United States and payments on such insurance and any total disability provision added thereto shall be made directly from such fund.

"(c) There are authorized to be appropriated such sums as may be required to provide capital for such revolving fund. Such appropriations shall be advanced to the revolving fund as needed and shall bear interest as determined by the Secretary of the Treasury, taking into consideration the average yield on all marketable interest-bearing obligations of the United States of comparable maturities then forming a part of the public debt and shall be repaid to the Treasury over a reasonable period of time.

"(d) The Administrator is authorized to set aside out of the revolving fund established under subsection (b) of this section such reserve amounts as may be required under accepted actuarial principles to meet all liabilities on insurance issued under this section and any total disability income provision attached thereto. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield.

"(e) The insurance provided by this section shall be in the amount of \$10,000, Government life insurance, national life reduced by the amount of United States Government life insurance, national service life insurance, and commercial life insurance held by the insured and in force at the time of his death."

(b) The analysis of subchapter I of chapter 19 of title 38, United States Code, is amended by adding at the end thereof the following:

"726. Insurance for certain members of the Armed Forces."

SEC. 3. The amendments made by this Act shall take effect on the sixtieth day after the date of its enactment.

[H.R. 10273, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, to provide a program of death indemnification for persons serving in combat zones

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 101 of title 38, United States Code, is amended by adding at the end thereof the following:

"(29) The term 'combat zone' means any area determined by the President to be an area in which units of the Armed Forces of the United States are engaged in combat operations on or after the date of enactment of this paragraph and before such date as may be determined by Presidential proclamation. Such term specifically includes the countries of Laos, Cambodia, and Vietnam, until the President determines that such countries are no longer 'combat zones'."

SEC. 2. (a) Part II of title 38, United States Code, is amended by inserting immediately after chapter 17 thereof the following new chapter:

#### "CHAPTER 18—COMBAT SERVICEMEN'S INDEMNITY

"Sec.

"650. Definitions.

"651. Coverage provided.

"652. Beneficiaries of insurance.

"653. Waiver of premiums on other insurance.



**"§ 650. Definitions**

"For the purposes of this chapter--

"(1) The term 'child' does not include a stepchild unless the stepchild either was a member of the insured's household, or was designated as a beneficiary under this chapter by the insured, and the term does not include an illegitimate child unless the child was designated as a beneficiary under this chapter by the insured.

"(2) The term 'parent' includes a stepparent if designated as a beneficiary under this chapter by the insured; and only includes the mother and father who last bore that relationship to the insured.

"(3) The terms 'brother' and 'sister' include those of the halfblood and those through adoption.

"(4) The term 'United States', when used in a geographical sense, means the several States and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

**"§ 651. Coverage provided**

"(a) Each member of the Armed Forces on active duty in a combat zone after the date of enactment of this chapter is automatically insured by the United States, without cost to such member, against death on active duty while in a combat zone and for one hundred and twenty days thereafter.

"(b) The insurance provided by subsection (a) shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance, national service life insurance, and commercial life insurance held by the insured and in force at the time of his death.

**"§ 652. Beneficiaries of insurance**

"(a) Upon certification by the Secretary concerned of the death of any member insured under section 651 of this title, the Administrator shall pay the insurance only to the surviving spouse, children, parents, or brothers and sisters of the insured. The insurance shall be paid in a lump sum.

"(b) The insured may designate the beneficiaries of the insurance within the classes named in subsection (a); may designate the proportion of the principal amount to be paid to each; and may change beneficiaries within the classes without their consent.

"(c) If a designated beneficiary does not survive the insured, or if none has been designated, payments shall be made to the first eligible beneficiary among the classes and in the order named in subsection (a); and if the class is composed of more than one individual, payments shall be made in equal shares among such individuals.

"(d) No payments shall be made under this chapter to the estate of any deceased individual.

**"§ 653. Waiver of premiums on other insurance**

"(a) Any member of the Armed Forces may apply for, and shall be granted, waiver of premiums under this section on any policy of national service life insurance or United States Government life insurance for periods during which he is in a combat zone and for one hundred and twenty days thereafter. Any such waiver shall render the insurance nonparticipating while the waiver is in effect.

"(b) While any waiver of premiums is in effect under this section--

"(1) all premiums on five-year level premium term insurance shall be waived; and

"(2) the portion of premiums on all other insurance which represents the pure insurance risk shall be waived; effective as of the first day of the first calendar month beginning after the member first serves in a combat zone, and ending as of the last day of the first calendar month beginning more than one hundred and twenty days after he leaves a combat zone.

"(c) Where benefits under any policy of insurance under waiver of premiums under this section become payable, liability for such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits. Computations of such benefits shall be based upon the same tables and rates of interest as apply with respect to the policy involved. The Administrator shall from time to time transfer from the national service life insurance appropriation to the national service life insurance fund, and from the military and naval insurance appropriation to the United States Government life insurance fund such sums as may be necessary to carry out this subsection."

(b) The table of chapters at the head of chapter 11 of title 38, United States Code, is amended by inserting immediately below the line beginning "17." the following:

"18. Combat servicemen's indemnity."

(c) The table of chapters at the head of title 38, United States Code, is amended by inserting immediately below the line beginning "17." the following:

"18. Combat servicemen's indemnity."

[H. R. 10286, 80th Cong., 1st sess.]

A BILL To amend title 38, United States Code, in order to provide special indemnity insurance for members of the Armed Forces serving in combat zones

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) chapter 19 of title 38, United States Code, is amended by adding at the end thereof a new section as follows:*

**"§ 789. Special indemnity insurance for members of the Armed Forces serving combat zones**

"(a) Any person on active duty with the Armed Forces in a combat zone shall, as provided in this section, be automatically insured by the United States without cost to such person, against death in the principal amount of \$10,000. Such person shall be insured during the time that he serves in a combat zone, and shall be deemed to have been serving in a combat zone at the time of his death if he dies outside of a combat zone and (1) his death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in a combat zone, and (2) the injury or disease from which such person died was incurred not more than two years prior to death.

"(b) Upon certification by the Secretary of the military department concerned of the death of any person automatically insured under this section, the Administrator shall cause the indemnity to be paid as provided in subsection (c) only to the surviving spouse, child or children (including a stepchild, adopted child, or an illegitimate child if the latter was designated as beneficiary by the insured), parent (including a stepparent, parent by adoption, or person who stood in loco parentis to the insured at any time prior to entry into the active service for a period of not less than one year), brother, or sister of the insured, including those of the half-blood and those through adoption. The insured shall have the right to designate the beneficiary or beneficiaries of the indemnity within the classes herein provided; to designate the proportion of the principal amount to be paid to each; and to change the beneficiary or beneficiaries without the consent thereof but only within the classes herein provided. If the designated beneficiary or beneficiaries do not survive the insured, or if none has been designated, the Administrator shall make payment of the indemnity to the first eligible class of beneficiaries according to the order set forth above, and in equal shares if the class is composed of more than one person. Unless designated otherwise by the insured, the term 'parent' shall include only the mother and father who last bore that relationship to the insured. Any installments of an indemnity not paid to a beneficiary during such beneficiary's lifetime shall be paid to the named contingent beneficiary, if any; otherwise, to the beneficiary or beneficiaries within the permitted class next entitled to priority, but no payment shall be made to the estate of any deceased person.

"(c) The indemnity shall be payable in equal monthly installments of one hundred and twenty in number with interest at the rate of 2½ per centum per annum.

"(d) In the event any person was covered at the time of his death by automatic indemnity under this section and was also insured against such death under a contract of national service life insurance or United States Government life insurance, the indemnity authorized to be paid hereunder shall be a principal amount equal to the difference between the amount of insurance in force at the time of death and \$10,000.

"(e) The Administrator is authorized to promulgate such rules and regulations, not inconsistent with this section, as are necessary or appropriate to carry out its purposes.

"(f) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this section for the payment of liabilities under this section.

"(g) Any person guilty of mutiny, treason, spying, or desertion shall forfeit all rights to an indemnity under this section, but restoration to active duty after commission of any such offense shall restore all rights under this section. No indemnity shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy, as defined by the President.

"(h) As used in this section the term 'combat zone' means any area outside the United States determined by the President to be an area in which units of the Armed Forces of the United States have engaged in combat operations on or after January 1, 1962, and before such date as may be determined by Presidential proclamation."

(b) The analysis of subchapter III of chapter 19 of such title is amended by adding at the end thereof the following:

"789. Special indemnity insurance for members of the Armed Forces serving in combat zones."

[H.R. 10301, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, in order to provide special indemnity insurance for members of the Armed Forces serving in combat zones

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That (a) chapter 19 of title 38, United States Code, is amended by adding at the end thereof a new section as follows:

**§ 789. Special indemnity insurance for members of the Armed Forces serving in combat zones**

"(a) Any person on active duty with the Armed Forces in a combat zone shall, as provided in this section, be automatically insured by the United States without cost to such person, against death in the principal amount of \$10,000. Such person shall be insured during the time that he serves in a combat zone, and shall be deemed to have been serving in a combat zone at the time of his death if he dies outside of a combat zone and (1) his death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in a combat zone, and (2) the injury or disease from which such person died was incurred not more than two years prior to death.

"(b) Upon certification by the Secretary of the military department concerned of the death of any person automatically insured under this section, the Administrator shall cause the indemnity to be paid as provided in subsection (c) only to the surviving spouse, child or children (including a stepchild, adopted child, or an illegitimate child, if the latter was designated as beneficiary by the insured), parent (including a stepparent, parent by adoption, or person who stood in loco parentis to the insured at any time prior to entry into the active service for a period of not less than one year), brother, or sister of the insured, including those of the halfblood and those through adoption. The insured shall have the right to designate the beneficiary or beneficiaries of the indemnity within the classes herein provided; to designate the proportion of the principal amount to be paid to each; and to change the beneficiary or beneficiaries without the consent thereof but only within the classes herein provided. If the designated beneficiary or beneficiaries do not survive the insured, or if none has been designated, the Administrator shall make payment of the indemnity to the first eligible class of beneficiaries according to the order set forth above, and in equal shares if the class is composed of more than one person. Unless designated otherwise by the insured, the term 'parent' shall include only the mother and father who last bore that relationship to the insured. Any installments of an indemnity not paid to a beneficiary during such beneficiary's lifetime shall be paid to the named contingent beneficiary, if any; otherwise, to the beneficiary or beneficiaries within the permitted class next entitled to priority, but no payment shall be made to the estate of any deceased person.

"(c) The indemnity shall be payable in equal monthly installments of one hundred and twenty in number with interest at the rate of 2 1/4 per centum per annum.

"(d) In the event any person was covered at the time of his death by automatic indemnity under this section and was also insured against such death under a contract of national service life insurance or United States Government life insurance, the indemnity authorized to be paid hereunder shall be a principal amount equal to the difference between the amount of insurance in force at the time of death and \$10,000.

"(e) The Administrator is authorized to promulgate such rules and regulations, not inconsistent with this section, as are necessary or appropriate to carry out its purposes.

"(f) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this section for the payment of liabilities under this section.

"(g) Any person guilty of mutiny, treason, spying, or desertion shall forfeit all rights to an indemnity under this section, but restoration to active duty after commission of any such offense shall restore all rights under this section. No indemnity shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy, as defined by the President.

"(h) As used in this section, the term 'combat zone' means any area outside the United States in which it is determined by the President that units of the Armed Forces are engaged in combat operations. The geographical limits of any such area shall be defined by the President and such area shall be considered a combat zone for purposes of this section during such period as may be prescribed by Presidential proclamation. Such term shall specifically include those areas outside the United States determined by the President to be areas in which units of the Armed Forces of the United States have engaged in combat operations on or after January 1, 1962, and before such date as may be determined by Presidential proclamation."

(b) The analysis of subchapter III of chapter 19 of such title is amended by adding at the end thereof the following:

"789. Special indemnity insurance for members of the Armed Forces serving in combat zones."

[H.R. 10312, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, to provide a program of death indemnification for persons serving in combat zones

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 101 of title 38, United States Code, is amended by adding at the end thereof the following:

"(29) The term 'combat zone' means any area in which units of the Armed Forces of the United States are engaged in combat operations on or after December 22, 1961. Such term specifically includes the countries of Germany, Laos, Cambodia, Vietnam, and Dominican Republic, until the President determines that such countries are no longer 'combat zones'."

SEC. 2. (a) Part II of title 38, United States Code, is amended by inserting immediately after chapter 17 thereof the following new chapter:

#### "CHAPTER 18—COMBAT SERVICEMEN'S INDEMNITY

"Sec.

"650. Definitions.

"651. Coverage provided.

"652. Beneficiaries of insurance.

"653. Waiver of premiums on other insurance.

#### "§ 650. Definitions

"For the purposes of this chapter—

"(1) The term 'child' does not include a stepchild unless the stepchild either was a member of the insured's household, or was designated as a beneficiary under this chapter by the insured, and the term does not include an illegitimate child unless the child was designated as a beneficiary under this chapter by the insured.

"(2) The term 'parent' includes a stepparent if designated as a beneficiary under this chapter by the insured; and only includes the mother and father who last bore that relationship to the insured.

"(3) The terms 'brother' and 'sister' include those of the halfblood and those through adoption.

"(4) The term 'United States', when used in a geographical sense, means the several States and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

#### "§ 651. Coverage provided

"(a) Each member of the Armed Forces on active duty in a combat zone on or after December 22, 1961, is automatically insured by the United States, without

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cost to such member, against death on active duty while in a combat zone and for one hundred and twenty days thereafter.

"(b) The insurance provided by subsection (a) shall be in the amount of \$10,000.

**"§ 652. Beneficiaries of insurance**

"(a) Upon certification by the Secretary concerned of the death of any member insured under section 651 of this title, the Administrator shall pay the insurance only to the surviving spouse, children, parents, or brothers and sisters of the insured. The insurance shall be paid in a lump sum.

"(b) The insured may designate the beneficiaries of the insurance within the classes named in subsection (a); may designate the proportion of the principal amount to be paid to each; and may change beneficiaries within the classes without their consent.

"(c) If a designated beneficiary does not survive the insured, or if none has been designated, payment shall be made to the first eligible beneficiary among the classes and in the order named in subsection (a); and if the class is composed of more than one individual, payments shall be made in equal shares among such individuals.

"(d) No payments shall be made under this chapter to the estate of any deceased individuals.

[H. R. 10336, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, to provide a program of death indemnification for persons serving in combat zones

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 101 of title 38, United States Code, is amended by adding at the end thereof the following:

"(29) The term 'combat zone' means any area determined by the President to be an area in which units of the Armed Forces of the United States are engaged in combat operations on or after the date of enactment of this paragraph and before such date as may be determined by Presidential proclamation. Such term specifically includes the countries of Laos, Cambodia, and Vietnam, until the President determines that such countries are no longer 'combat zones'."

SEC. 2. (a) Part II of title 38, United States Code, is amended by inserting immediately after chapter 17 thereof the following new chapter:

**"CHAPTER 18—COMBAT SERVICEMEN'S INDEMNITY**

"Sec.

"650. Definitions.

"651. Coverage provided.

"652. Beneficiaries of insurance.

"653. Waiver of premiums on other insurance.

**"§ 650. Definitions**

"For the purposes of this chapter—

"(1) The term 'child' does not include a stepchild unless the stepchild either was a member of the insured's household, or was designated as a beneficiary under this chapter by the insured, and the term does not include an illegitimate child unless the child was designated as a beneficiary under this chapter by the insured.

"(2) The term 'parent' includes a stepparent if designated as a beneficiary under this chapter by the insured; and only includes the mother and father who last bore that relationship to the insured.

"(3) The terms 'brother' and 'sister' include those of the halfblood and those through adoption.

"(4) The term 'United States', when used in a geographical sense, means the several States and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

**"§ 651. Coverage provided**

"(a) Each member of the Armed Forces on active duty in a combat zone after the date of enactment of this chapter is automatically insured by the United States, without cost to such member, against death on active duty while in a combat zone and for one hundred and twenty days thereafter.

"(b) The insurance provided by subsection (a) shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance, national

service life insurance, and commercial life insurance held by the insured and in force at the time of his death.

**"§ 652. Beneficiaries of insurance**

"(a) Upon certification by the Secretary concerned of the death of any member insured under section 651 of this title, the Administrator shall pay the insurance only to the surviving spouse, children, parents, or brothers and sisters of the insured. The insurance shall be paid in a lump sum.

"(b) The insured may designate the beneficiaries of the insurance within the classes named in subsection (a); may designate the proportion of the principal amount to be paid to each; and may change beneficiaries within the classes without their consent.

"(c) If a designated beneficiary does not survive the insured, or if none has been designated, payment shall be made to the first eligible beneficiary among the classes and in the order named in subsection (a); and if the class is composed of more than one individual, payments shall be made in equal shares among such individuals.

"(d) No payments shall be made under this chapter to the estate of any deceased individual.

**"§ 653. Waiver of premiums on other insurance**

"(a) Any member of the Armed Forces may apply for, and shall be granted, waiver of premiums under this section on any policy of national service life insurance or United States Government life insurance for periods during which he is in a combat zone and for one hundred and twenty days thereafter. Any such waiver shall render the insurance nonparticipating while the waiver is in effect.

"(b) While any waiver of premiums is in effect under this section—

"(1) all premiums on five-year level premium term insurance shall be waived; and

"(2) the portion of premiums on all other insurance which represents the pure insurance risk shall be waived; effective as of the first day of the first calendar month beginning after the member first serves in a combat zone, and ending as of the last day of the first calendar month beginning more than one hundred and twenty days after he leaves a combat zone.

"(c) Where benefits under any policy of insurance under waiver of premiums under this section become payable, liability for such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits. Computations of such benefits shall be based upon the same tables and rates of interest as apply with respect to the policy involved. The Administrator shall from time to time transfer from the national service life insurance appropriation to the national service life insurance fund, and from the military and naval insurance appropriation to the United States Government life insurance fund such sums as may be necessary to carry out this subsection."

(b) The table of chapters at the head of chapter 11 of title 38, United States Code, is amended by inserting immediately below the line beginning "17," the following:

"18. Combat servicemen's indemnity."

(c) The table of chapters at the head of title 38, United States Code, is amended by inserting immediately below the line beginning "17," the following:

"18. Combat servicemen's indemnity."

[H.R. 10399, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, to provide a program of death indemnification for persons serving in combat zones

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That section 101 of title 38, United States Code, is amended by adding at the end thereof the following:

"(29) The term 'combat zone' means any area determined by the President to be an area in which units of the Armed Forces of the United States are engaged in combat operations on or after the date of enactment of this paragraph and before such date as may be determined by Presidential proclamation. Such term speci-

ally includes the countries of Laos, Cambodia, and Vietnam, until the President determines that such countries are no longer 'combat zones'."

Sec. 2. (a) Part II of title 38, United States Code, is amended by inserting immediately after chapter 7 thereof the following new chapter:

**"CHAPTER 18—COMBAT SERVICEMEN'S INDEMNITY**

"Sec.  
"650. Definitions.  
"651. Coverage provided.  
"652. Beneficiaries of insurance.  
"653. Waiver of premiums on other insurance.

**"§ 650. Definitions**

"For the purposes of this chapter—

"(1) The term 'child' does not include a stepchild unless the stepchild either was a member of the insured's household, or was designated as a beneficiary under this chapter by the insured, and the term does not include an illegitimate child unless the child was designated as a beneficiary under this chapter by the insured.

"(2) The term 'parent' includes a stepparent if designated as a beneficiary under this chapter by the insured; and only includes the mother and father who last bore that relationship to the insured.

"(3) The terms 'brother' and 'sister' include those of the halfblood and those through adoption.

"(4) The term 'United States', when used in a geographical sense, means the several States and possessions of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

**"§ 651. Coverage provided**

"(a) Each member of the Armed Forces on active duty in a combat zone after the date of enactment of this chapter is automatically insured by the United States, without cost to such member, against death on active duty while in a combat zone and for one hundred and twenty days thereafter.

"(b) The insurance provided by subsection (a) shall be in the amount of \$10,000, reduced by the amount of United States Government life insurance, national service life insurance, and commercial life insurance held by the insured and in force at the time of his death.

**"§ 652. Beneficiaries of insurance**

"(a) Upon certification by the Secretary concerned of the death of any member insured under section 651 of this title, the Administrator shall pay the insurance only to the surviving spouse, children, parents, or brothers and sisters of the insured. The insurance shall be paid in a lump sum.

"(b) The insured may designate the beneficiaries of the insurance within the classes named in subsection (a); may designate the proportion of the principal amount to be paid to each; and may change beneficiaries within the classes without their consent.

"(c) If a designated beneficiary does not survive the insured, or if none has been designated, payment shall be made to the first eligible beneficiary among the classes and in the order named in subsection (a); and if the class is composed of more than one individual, payments shall be made in equal shares among such individuals.

"(d) No payments shall be made under this chapter to the estate of any deceased individual.

**"§ 653. Waiver of premiums on other insurance**

"(a) Any member of the Armed Forces may apply for, and shall be granted, waiver of premiums under this section on any policy of national service life insurance or United States Government life insurance for periods during which he is in a combat zone and for one hundred and twenty days thereafter. Any such waiver shall render the insurance nonparticipating while the waiver is in effect.

"(b) While any waiver of premiums is in effect under this section—

"(1) all premiums on five-year level premium term insurance shall be waived; and

"(2) the portion of premiums on all other insurance which represents the pure insurance risk shall be waived;

effective as of the first day of the first calendar month beginning after the member first serves in a combat zone, and ending as of the last day of the first calendar month beginning more than one hundred and twenty days after he leaves a combat

"(c) Where benefits under any policy of insurance under waiver of premiums under this section become payable, liability for such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits. Computations of such benefits shall be based upon the same tables and rates of interest as apply with respect to the policy involved. The Administrator shall from time to time transfer from the national service life insurance appropriation to the national service life insurance fund, and from the military and naval insurance appropriation to the United States Government life insurance fund such sums as may be necessary to carry out this subsection."

(b) The table of chapters at the head of chapter 11 of title 38, United States Code, is amended by inserting immediately below the line beginning "17," the following:

"18. Combat servicemen's indemnity."

(c) The table of chapters at the head of title 38, United States Code, is amended by inserting immediately below the line beginning "17," the following:

"18. Combat servicemen's indemnity."

Sec. 3. The provisions of sections 1 and 2 shall be effective from December 15, 1961.

[H.R. 10473, 86th Cong., 1st sess.]

A BILL To amend title 38, United States Code, in order to provide special indemnity insurance for members of the Armed Forces serving in combat zones

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) chapter 19 of title 38, United States Code, is amended by adding at the end thereof a new section as follows:

"§ 789. Special indemnity insurance for members of the Armed Forces serving in combat zones

"(a) Any person on active duty with the Armed Forces in a combat zone shall, as provided in this section, be automatically insured by the United States, without cost to such person, against death in the principal amount of \$10,000. Such person shall be insured during the time he serves in a combat zone, and shall be deemed to have been serving in a combat zone at the time of his death if he dies outside of a combat zone and (1) his death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in a combat zone and (2) the injury or disease from which such person died was incurred not more than two years prior to death.

"(b) Upon certification by the Secretary of the military department concerned of the death of any person automatically insured under this section, the Administrator shall cause the indemnity to be paid as provided in subsection (c) only to the surviving spouse, child, or children (including a stepchild, adopted child, or an illegitimate child if the latter was designated as beneficiary by the insured), parent (including a stepparent, parent by adoption, or person who stood in loco parentis to the insured at any time prior to entry into the active service for a period of not less than one year), brother, or sister of the insured, including those of the halfblood and those through adoption. The insured shall have the right to designate the beneficiary or beneficiaries of the indemnity within the classes herein provided; to designate the proportion of the principal amount to be paid to each; and to change the beneficiary or beneficiaries without the consent thereof but only within the classes herein provided. If the designated beneficiary or beneficiaries do not survive the insured, or if none has been designated, the Administrator shall make payment of the indemnity to the first eligible class of beneficiaries according to the order set forth above, and in equal shares if the class is composed of more than one person. Unless designated otherwise by the insured, the term 'parent' shall include only the mother and father who last bore that relationship to the insured. Any installments of an indemnity not paid to a beneficiary during such beneficiary's lifetime shall be paid to the named contingent beneficiary, if any; otherwise, to the beneficiary or beneficiaries within the permitted class next entitled to priority, but no payment shall be made to the estate of any deceased person.

"(c) The indemnity shall be payable in equal monthly installments of one hundred and twenty in number with interest at the rate of 2¼ per centum per annum.



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"(d) In the event any person was covered at the time of his death by automatic indemnity under this section and was also insured against such death under a contract of national service life insurance or United States Government life insurance, the indemnity authorized to be paid hereunder shall be a principal amount equal to the difference between the amount of insurance in force at the time of death and \$10,000.

"(e) The Administrator is authorized to promulgate such rules and regulations, not inconsistent with this section, as are necessary or appropriate to carry out its purposes.

"(f) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this section for the payment of liabilities under this section.

"(g) Any person guilty of mutiny, treason, spying, or desertion shall forfeit all rights to an indemnity under this section, but restoration to active duty after commission of any such offense shall restore all rights under this section. No indemnity shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy, as defined by the President.

"(h) As used in this section the term 'combat zone' means any area outside the United States determined by the President to be an area in which units of the Armed Forces of the United States have engaged in combat operations on or after January 1, 1962, and before such date as may be determined by presidential proclamation.

(b) The analysis of subchapter III of chapter 19 of such title is amended by adding at the end thereof the following:

"789. Special indemnity insurance for members of the Armed Forces serving in combat zones."

[H.R. 10478, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, in order to provide special indemnity insurance for members of the Armed Forces serving in combat zones

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) chapter 19 of title 38, United States Code, is amended by adding at the end thereof a new section as follows:

"§ 789. Special indemnity insurance for members of the Armed Forces serving in combat zones

"(a) Any person on active duty with the Armed Forces in a combat zone shall, as provided in this section, be automatically insured by the United States, without cost to such person, against death in the principal amount of \$10,000. Such person shall be insured during the time that he serves in a combat zone, and shall be deemed to have been serving in a combat zone at the time of his death if he dies outside of a combat zone and (1) his death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in a combat zone, and (2) the injury or disease from which such person died was incurred not more than two years prior to death.

"(b) Upon certification by the Secretary of the military department concerned of the death of any person automatically insured under this section, the Administrator shall cause the indemnity to be paid as provided in subsection (a) only to the surviving spouse, child, or children (including a stepchild, adopted child, or an illegitimate child if the latter was designated as beneficiary by the insured), parent (including a stepparent, parent by adoption, or person who stood in loco parentis to the insured at any time prior to entry into the active service for a period of not less than one year), brother, or sister of the insured, including those of the half-blood and those through adoption. The insured shall have the right to designate the beneficiary or beneficiaries of the indemnity within the classes herein provided; to designate the proportion of the principal amount to be paid to each; and to change the beneficiary or beneficiaries without the consent thereof but only within the classes herein provided. If the designated beneficiary or beneficiaries do not survive the insured, or if none has been designated, the Administrator shall make payment of the indemnity to the first eligible class of beneficiaries according to the order set forth above, and in equal shares if the class is composed of more than one person. Unless designated otherwise by the insured, the term 'parent' shall include only the mother and father who last bore that relationship to the insured. Lifetime shall be paid to the named contingent beneficiary, if any; otherwise, to

the beneficiary or beneficiaries within the permitted class next entitled to priority, but no payment shall be made to the estate of any deceased person.

"(c) The indemnity shall be payable in equal monthly installments of one hundred and twenty in number with interest at the rate of  $2\frac{1}{4}$  per centum per annum.

"(d) In the event any person was covered at the time of his death by automatic indemnity under this section and was also insured against such death under a contract of national service life insurance or United States Government life insurance, the indemnity authorized to be paid hereunder shall be a principal amount equal to the difference between the amount of insurance in force at the time of death and \$10,000.

"(e) The Administrator is authorized to promulgate such rules and regulations, not inconsistent with this section, as are necessary or appropriate to carry out its purposes.

"(f) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this section for the payment of liabilities under this section.

"(g) Any person guilty of mutiny, treason, spying, or desertion shall forfeit all rights to an indemnity under this section, but restoration to active duty after commission of any such offense shall restore all rights under this section. No indemnity shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy, as defined by the President.

"(h) As used in this section the term 'combat zone' means any area outside the United States determined by the President to be an area in which units of the Armed Forces of the United States have engaged in combat operations on or after January 1, 1962, and before such date as may be determined by Presidential proclamation."

(b) The analysis of subchapter III of chapter 19 of such title is amended by adding at the end thereof the following:

"789. Special indemnity insurance for members of the Armed Forces serving in combat zones."

[H.R. 10630, 89th Cong., 1st sess.]

A BILL To amend title 38, United States Code, in order to provide special indemnity insurance for members of the Armed Forces serving in combat zones and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) chapter 19 of title 38, United States Code, is amended by adding at the end thereof a new section as follows:

"§ 789. Special indemnity insurance for members of the Armed Forces serving in combat zones

"(a) Any person on active duty with the Armed Forces in a combat zone shall, as provided in this section, be automatically insured by the United States, without cost to such person, against death in the principal amount of \$10,000. Such person shall be insured during the time that he serves in a combat zone, and shall be deemed to have been serving in a combat zone at the time of his death if he dies outside of a combat zone and (1) his death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in a combat zone, and (2) the injury or disease from which such person died was incurred not more than two years prior to death.

"(b) Upon certification by the Secretary of the military department concerned of the death of any person automatically insured under this section, the Administrator shall cause the indemnity to be paid as provided in subsection (c) only to the surviving spouse, child or children (including a stepchild, adopted child, or an illegitimate child if the latter was designated as beneficiary by the insured), parent (including a stepparent, parent by adoption, or person who stood in loco parentis to the insured at any time prior to entry into the active service for a period of not less than one year), brother, or sister of the insured, including those of the halfblood and those through adoption. The insured shall have the right to designate the beneficiary or beneficiaries of the indemnity within the classes herein provided; to designate the proportion of the principal amount to be paid to each; and to change the beneficiary or beneficiaries without the consent thereof but only within the classes herein provided. If the designated beneficiary or beneficiaries do not survive the insured, or if none has been designated, the

Administrator shall make payment of the indemnity to the first eligible class of beneficiaries according to the order set forth above, and in equal shares if the class is composed of more than one person. Unless designated otherwise by the insured, the term 'parent' shall include only the mother and father who last bore that relationship to the insured. Any installments of an indemnity not paid to a beneficiary during such beneficiary's lifetime shall be paid to the named contingent beneficiary, if any; otherwise, to the beneficiary or beneficiaries within the permitted class next entitled to priority, but no payment shall be made to the estate of any deceased person.

"(c) The indemnity shall be payable in equal monthly installments of one hundred and twenty in number with interest at the rate of 2½ per centum per annum.

"(d) In the event any person was covered at the time of his death by automatic indemnity under this section and was also insured against such death under a contract of national service life insurance or United States Government life insurance, the indemnity authorized to be paid hereunder shall be a principal amount equal to the difference between the amount of insurance in force at the time of death and \$10,000.

"(e) The Administrator is authorized to promulgate such rules and regulations, not inconsistent with this section, as are necessary or appropriate to carry out its purposes.

"(f) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this section for the payment of liabilities under this section.

"(g) Any person guilty of mutiny, treason, spying, or desertion shall forfeit all rights to an indemnity under this section, but restoration to active duty after commission of any such offense shall restore all rights under this section. No indemnity shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy, as defined by the President.

"(h) As used in this section the term 'combat zone' means any area outside the United States determined by the President to be an area in which units of the Armed Forces of the United States have engaged in combat operations on or after January 1, 1962, and before such date as may be determined by Presidential proclamation."

"(b) The analysis of subchapter III of chapter 19 of such title is amended by adding at the end thereof the following:

"789. Special indemnity insurance for members of the Armed Forces serving in combat zones."

SEC. 2. Title 38, United States Code, is further amended as follows:

(1) Section 417(a) is amended—

(A) By deleting therefrom the words "under section 724 of this title" and inserting in lieu thereof the words "in effect on January 1, 1959, and continued in effect under section 724(a) of this title".

(B) By adding at the end thereof the following: "The prohibition against the payment of dependency and indemnity compensation contained in this subsection shall not apply to insureds who on or after the effective date of this amendment die while on active duty in a combat zone as defined in section 789 of this title, or within 120 days after duty in such a zone, or (1) whose death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in a combat zone, and (2) the injury or disease from which such person died was incurred not more than two years prior to death."

(2) Delete from the last sentence of subsection (c) of section 704 the words "or section 725" each time they appear and insert in lieu thereof the words "section 725, or section 726".

(3) Subsection (b) of section 724 is repealed and the following new subsections are added to section 724:

"(b) After the date of enactment of this subsection any person who is on active duty with the Armed Forces in a combat zone, as defined in section 789 of this title, for a continuous period of 30 days or more and any person hereafter ordered to such duty under orders for 30 days or more in such a combat zone, who is insured under National Service Life Insurance or United States Government Life Insurance shall be entitled, upon written application, to a waiver (with the right to a refund after termination of such duty) of all premiums paid on term insurance and that portion of any permanent insurance premiums paid representing the cost of the pure insurance risk, as determined by the Administrator. All premiums not subject to such waiver shall remain in effect must be

timely paid to maintain the insurance in force. Such waiver shall apply to premiums becoming due after the first day of the first calendar month following the date of enactment of this subsection, or the first day of the first calendar month following entry on active duty with the Armed Forces in such a combat zone, whichever is the later date, and during the remainder of such continuous active duty in a combat zone for 120 days thereafter; however, no premium becoming due prior to the date of application for waiver under this subsection shall be waived or refunded. Any premium waiver granted under this subsection on a participating contract of insurance shall render such insurance non-participating during the period such premium waiver is in effect. Upon certification of the period of combat zone duty by the Secretary of the military department concerned, and upon application by the insured, or in death cases by the beneficiary of his insurance, the Administrator shall refund to the insured or to the beneficiary the amount of premiums waived under this subsection. Premiums on term insurance waived under this subsection shall be refunded with interest as determined by the Administrator.

"(c) Whenever benefits become payable because of the maturity of such insurance while under the premium waiver provided by this section, liability for the payment of such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits under such policy. Where life contingencies are involved in the calculation of the value of such benefits, the calculation of such liability or liabilities shall be based upon such mortality table or tables as the Administrator may prescribe with interest at the rate of 3 per centum per annum as to National Service Life Insurance which was participating before waiver was granted, and 3½ per centum per annum as to United States Government Life Insurance. The Administrator shall transfer from time to time from the National Service Life Insurance appropriation to the National Service Life Insurance Fund and from the Military and Naval Insurance appropriation to the United States Government Life Insurance Fund such sums as may be necessary to carry out the provisions of this section."

(4) Subchapter 1 of chapter 19 of such title is amended by adding at the end thereof a new section as follows:

**"§ 726. Post-service insurance for persons serving in combat zones**

"(a) Any person entitled to indemnity protection under section 789 of this title who is ordered to active duty with the Armed Forces in a combat zone as defined in such section for a period of 30 days or more, or who served in such zone for 30 days or more, shall, upon application in writing made within 120 days after separation from active duty and payment of premiums as hereinafter provided, and without medical examination, be granted insurance. The insurance granted under this section shall be issued upon the same terms and conditions as are contained in standard policies of National Service Life Insurance except (1) term insurance may not be renewed on the term plan after the insured's 50th birthday; (2) the premium rates for term or permanent plan insurance shall be based on the 1958 Commissioners Standard Ordinary Mortality Table; (3) all cash, loan, extended and paid-up insurance values shall be based on the 1958 Commissioners Standard Ordinary Mortality Table; (4) all settlements on policies involving annuities shall be calculated on the basis of the Annuity Table for 1949; (5) all calculations in connection with insurance issued under this subsection shall be based on interest at the rate of 3½ per centum per annum; (6) the insurance shall include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable; (7) the insurance and any total disability income provisions attached thereto shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited to a revolving fund established in the Treasury of the United States and the payments on such insurance and total disability provision shall be made directly from such fund. Appropriations to such fund are hereby authorized.

"(b) The Administrator is authorized to set aside out of the revolving fund established under subsection (a) of this section such reserve amounts as may be required under accepted actuarial principles to meet all liabilities on insurance issued thereunder and any total disability income provision attached thereto. The Secretary of the Treasury is authorized to invest in and to sell and retro special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on

the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield."

(5) The analysis of subchapter I of chapter 19 of such title is amended by adding at the end thereof the following:

"726. Post service insurance for persons serving in combat zones."

[H. R. 10821, 89th Cong., 1st sess.]

A BILL To amend title 38 of the United States Code to establish a program of group life insurance which shall be provided by private insurance companies for members of the uniformed services who are on active duty

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 19 of title 38, United States Code, is amended by redesignating "Subchapter III—General" thereof as "Subchapter IV—General" and by inserting immediately after subchapter II thereof the following new subchapter III:

### "Subchapter III—Servicemen's Group Life Insurance

#### "§ 765. Definitions

"For the purposes of this subchapter—

"(1) The term 'active duty' means full-time duty as a commissioned or warrant officer, or as an enlisted member of a uniformed service under a call or order to duty that does not specify a period of thirty days or less.

"(2) The term 'member' means a person on active duty in the uniformed services in a commissioned, warrant, or enlisted rank or grade.

"(3) The term 'uniformed services' means the Army, Navy, Air Force, Marine Corps, Coast Guard, Coast and Geodetic Survey, and Public Health Service.

#### "§ 766. Eligible insurance companies

"(a) The Administrator is authorized, without regard to section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), to purchase from one or more life insurance companies a policy or policies of group life insurance to provide the benefits specified in this subchapter. Each such life insurance company must (1) be licensed to issue life insurance in each of the fifty States of the United States and in the District of Columbia, and (2) as of the most recent December 31 for which information is available to the Administrator, have in effect at least 1 per centum of the total amount of group life insurance which all life insurance companies have in effect in the United States.

"(b) The life insurance company or companies issuing such policy or policies shall establish an administrative office at a place and under a name designated by the Administrator.

"(c) The Administrator shall arrange with the life insurance company or companies issuing any policy or policies under this subchapter to reinsure, under conditions approved by him, portions of the total amount of insurance under such policy or policies with such other life insurance companies as may elect to participate in such reinsurance.

"(d) The Administrator may at any time discontinue any policy or policies which he has purchased from any insurance company under this subchapter.

#### "§ 767. Persons insured; amount

"Any policy of insurance purchased by the Administrator under section 766 of this title shall automatically insure any member of the uniformed services on active duty against death in the amount of \$10,000 from the first day of such duty, or from the date certified by the Administrator to the Secretary concerned as the date servicemen's group life insurance under this subchapter takes effect, whichever date is the later date, unless such member elects in writing (1) not to be insured under this subchapter; or (2) to be insured in an amount less than \$10,000 which must be a multiple of \$500, but may not be less than \$1,000. No person may carry a combined amount of national service life insurance on the term plan, United States Government Life Insurance Service—

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men's group life insurance in excess of \$10,000 at any one time. Any person insured under a permanent plan of national service life insurance or United States Government life insurance may be insured under this subchapter but the amount payable under his matured servicemen's group life insurance may not exceed the difference between the face value of such permanent plan insurance and \$10,000, plus the actual cash value of such permanent plan insurance on the date of the insured's death.

**"§ 768. Termination of coverage; conversion**

"Each policy purchased under this subchapter shall contain a provision, in terms approved by the Administrator, to the effect that any insurance thereunder on any member of the uniformed services shall cease thirty-one days after his separation or release from active duty, and that during the period such insurance is in force the insured upon request to the administrative office established under subsection 766(b) of this title shall be furnished a list of life insurance companies participating in the program established under this subchapter and upon written application to the participating company selected by the insured, proof of good health satisfactory to such company, and payment of the required premiums be granted insurance on a plan then currently written by such company, which does not provide for the payment of any sum less than the face value thereof or for the payment of an additional amount as premiums if the insured engages in the military service of the United States, to replace the servicemen's group life insurance in effect on the insured's life under this subchapter. For the purposes of this section any member who is absent without leave for a period of more than thirty-one days shall be deemed to have been separated from active duty as of the date such absence commenced. Any such member absent without leave shall be insured from the date he returns to active duty and there shall be deducted from his basic pay an amount to cover the premiums for the period he was insured during such absence.

**"§ 769. Premiums; payment; investment; expenses**

"(a) During any period in which a member is insured under the policy of insurance purchased by the Administrator, under section 766 of this title, there shall be deducted each month from his basic pay until separation or release from active duty, or otherwise paid, an amount determined by the Administrator (which shall be the same for all such members) as the share of the cost attributable to insuring such member under such policy, less any costs traceable to the extra hazard of performance of active duty in the uniformed service. Any amount not deducted from the basic pay of a member insured under this subchapter while on active duty, if not otherwise paid, shall be deducted from the proceeds of any insurance thereafter payable.

"(b) For each month for which any member is so insured, there shall be contributed from the appropriation made for his pay an amount determined by the Administrator and certified to the Secretary concerned to be the cost of such insurance which is traceable to the extra hazard of the performance of active duty in the uniformed services. Such costs shall be determined by the Administrator on the basis of the excess mortality suffered by members of the uniformed services on active duty above that incurred by the male civilian population of the United States of the same age as the average age of members of the uniformed services (disregarding a fraction of a year) as shown by the most current annual records of the uniformed services and the Department of Health, Education, and Welfare.

"(c) An amount equal to the first premium due on any such insurance may be advanced from current appropriations for active-service pay to any such member, which amount shall constitute a lien upon any service or other pay accruing to the person from whom such advance was made and shall be collected therefrom if not otherwise paid. No disbursing or certifying officer shall be responsible for any loss incurred by reason of such advance.

"(d)(1) The sums withheld from the basic pay of members, or otherwise paid, under subsection (a) of this section, and the sums contributed from appropriations under subsection (b) of this section, together with the income derived from any dividends or premium rate adjustments received from insurers shall be deposited to the credit of a revolving fund established in the Treasury of the United States. All premium payments on any insurance policy or policies purchased under section 766 of this title and the administrative cost to the Veterans' Administration of insurance issued under this subchapter shall be paid from the revolving fund.

"(2) The Administrator is authorized to set aside out of the revolving fund such amounts as may be required to meet the administrative costs to the Veterans' Administration of insurance issued under this subchapter and all current premium

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payments on any insurance policy or policies purchased under section 766 of this title. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield.

"(3) Notwithstanding the provisions of section 782 of this title, the Administrator shall, from time to time, determine the administrative costs to the Veterans' Administration which in his judgment are properly allocable to insurance issued under this subchapter and shall transfer such cost from the revolving fund to the appropriation 'General operating expenses, Veterans' Administration.'

**"§ 770. Beneficiaries; payment of insurance**

"Any amount of serviceman's group life insurance in force on any member or former member on the date of his death shall be paid, upon the establishment of a valid claim therefor, to the person or persons surviving at the date of his death, in the following order of precedence:

"First, to the beneficiary or beneficiaries as the member or former member may have designated by a writing received in the uniformed services prior to such death;

"Second, if there be no such beneficiary, to the widow or widower of such member or former member;

"Third, if none of the above, to the child or children of such member or former member and descendants of deceased children by representation;

"Fourth, if none of the above, to the parents of such member or former member or the survivor of them;

"Fifth, if none of the above, to the duly appointed executor or administrator of the estate of such member or former member;

"Sixth, if none of the above, to other next of kin of such member or former member entitled under the laws of domicile of such member or former member at the time of his death.

"If any person otherwise entitled to payment under this section does not make claim therefor within one year after the death of the member or former member, or if payment to such person within that period is prohibited by Federal statute or regulation, payment may be made in the order of precedence as if such person had predeceased the employee, and any such payment shall be a bar to recovery by any other person.

**"§ 771. Basic tables of premiums; readjustment of rates**

"(a) Each policy or policies purchased under section 766 of this title shall include for the first policy year a schedule of basic premium rates by age which the Administrator shall have determined on a basis consistent with the lowest schedule of basic premium rates generally charged for new group life insurance policies issued to large employers, this schedule of basic premium rates by age to be applied, except as otherwise provided in this section, to the distribution by age of the amount of group life insurance under the policy at its date of issue to determine an average basic premium per \$1,000 of insurance. Each policy so purchased shall also include provisions whereby the basic rates of premium determined for the first policy year shall be continued for subsequent policy years, except that they may be readjusted for any subsequent year, based on the experience under the policy, such readjustment to be made by the insurance company, or companies issuing the policy on a basis determined by the Administrator in advance of such year to be consistent with the general practice of life insurance companies under policies of group life insurance issued to large employers.

"(b) Each policy so purchased shall include a provision that, in the event the Administrator determines that ascertaining the actual age distribution of the amounts of group life insurance in force at the date of issue of the policy or at the end of the first or any subsequent year of insurance thereunder would not be possible except at a disproportionately high expense, the Administrator may

approve the determination of a tentative average group life premium, for the first or any subsequent policy year, in lieu of using the actual age distribution. Such tentative average premium rate shall be redetermined by the Administrator during any policy year upon request by the insurance company or companies issuing the policy, if experience indicates that the assumptions made in determining the tentative average premium rate for that policy year were incorrect.

"(c) Each policy so purchased shall contain a provision stipulating the maximum expense and risk charges for the first policy year, which charges shall have been determined by the Administrator on a basis consistent with the general level of such charges made by life insurance companies under policies of group life insurance issued to large employers. Such maximum charges shall be continued from year to year, except that the Administrator may redetermine such maximum charges for any year either by agreement with the insurance company or companies issuing the policy or upon written notice given by the Administrator to such companies at least one year in advance of the beginning of the year for which such redetermined maximum charges will be effective.

"(d) Each such policy shall provide for an accounting to the Administrator not later than ninety days after the end of each policy year, which shall set forth, in a form approved by the Administrator, (1) the amounts of premiums actually accrued under the policy from its date of issue to the end of such policy year, (2) the total of all mortality and other claim charges incurred for that period, and (3) the amounts of the insurers' expense and risk charge for that period. Any excess of the total of item (1) over the sum of items (2) and (3) shall be held by the insurance company or companies issuing the policy as a special contingency reserve to be used by such insurance company or companies for charges under such policy only, such reserve to bear interest at a rate to be determined in advance of each policy year by the insurance company or companies issuing the policy, which rate shall be approved by the Administrator as being consistent with the rates generally used by such company or companies for similar funds held under other group life insurance policies. If and when the Administrator determines that such special contingency reserve has attained an amount estimated by the Administrator to make satisfactory provision for adverse fluctuations in future charges under the policy, any further excess shall be deposited to the credit of the revolving fund established under section 766 of this title. If and when such policy is discontinued, and if after all charges have been made, there is any positive balance remaining in such special contingency reserve, such balance shall be deposited to the credit of the revolving fund, subject to the right of the insurance company or companies issuing the policy to make such deposit in equal monthly installments over a period of not more than two years.

**"§ 772. Benefit certificates**

"The Administrator shall arrange to have each member insured under a policy purchased under section 766 of this title receive a certificate setting forth the benefits to which the member is entitled thereunder, to whom such benefits shall be payable, to whom claims should be submitted, and summarizing the provisions of the policy principally affecting the member. Such certificate shall be in lieu of the certificate which the insurance company or companies would otherwise be required to issue.

**"§ 773. Forfeiture**

"Any person guilty of mutiny, treason, spying, or desertion, or who, because of conscientious objections, refuses to perform service in the Armed Forces of the United States or refuses to wear the uniform of such force, shall forfeit all rights to servicemen's group life insurance under this subchapter. No such insurance shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States.

**"§ 774. Effective date**

"The insurance provided for in this subchapter and the deductions and contributions for that purpose shall take effect on the date designated by the Administrator and certified by him to each Secretary concerned."



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SEC. 2. The analysis of chapter 19 of title 38, United States Code, is amended (1) by redesignating "Subchapter III--General" as "Subchapter IV--General" and (2) by inserting after

"760. Waiver of premium payments on due date."

the following:

"Subchapter III--Servicemen's Group Life Insurance

"Sec.

"765. Definitions.

"766. Eligible insurance companies.

"767. Persons insured; amount.

"768. Termination of coverage; conversion.

"769. Premiums; payment; investment; expenses.

"770. Beneficiaries; payment of insurance.

"771. Basic tables of premiums; readjustment of rates.

"772. Benefit certificates.

"773. Forfeiture.

"774. Effective date."

[H.R. 10862, 86th Cong., 1st sess.]

A BILL To amend title 38 of the United States Code to establish a program of group life insurance which shall be provided by private insurance companies for members of the uniformed services who are on active duty

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That chapter 19 of title 38, United States Code, is amended by redesignating "Subchapter III--General" thereof as "Subchapter IV--General" and by inserting immediately after subchapter II thereof the following new subchapter III:

"Subchapter III--Servicemen's Group Life Insurance

"§ 765. Definitions

"For the purposes of this subchapter--

"(1) The term 'active duty' means full-time duty as a commissioned or warrant officer, or as an enlisted member of a uniformed service under a call or order to duty that does not specify a period of thirty days or less.

"(2) The term 'member' means a person on active duty in the uniformed services in a commissioned, warrant, or enlisted rank or grade.

"(3) The term 'uniformed services' means the Army, Navy, Air Force, Marine Corps, Coast Guard, Coast and Geodetic Survey, and Public Health Service.

"§ 766. Eligible insurance companies

"(a) The Administrator is authorized, without regard to section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), to purchase from one or more life insurance companies a policy or policies of group life insurance to provide the benefits specified in this subchapter. Each such life insurance company must (1) be licensed to issue life insurance in each of the fifty States of the United States and in the District of Columbia, and (2) as of the most recent December 31 for which information is available to the Administrator, have in effect at least 1 per centum of the total amount of group life insurance which all life insurance companies have in effect in the United States.

"(b) The life insurance company or companies issuing such policy or policies shall establish an administrative office at a place and under a name designated by the Administrator.

"(c) The Administrator shall arrange with the life insurance company or companies issuing any policy or policies under this subchapter to reinsure, under conditions approved by him, portions of the total amount of insurance under such policy or policies with such other life insurance companies as may elect to participate in such reinsurance.

"(d) The Administrator may at any time discontinue any policy or policies which he has purchased from any insurance company under this subchapter.

"§ 767. Persons insured; amount

"Any policy of insurance purchased by the Administrator under section 766 of this title shall automatically insure any member of the uniformed services on active duty against death in the amount of \$10,000 from the first day of such duty, or from the date certified by the Administrator to the Secretary concerned as the date servicemen's group life insurance under this subchapter takes effect,

whichever date is the later date, unless such member elects in writing (1) not to be insured under this subchapter, or (2) to be insured in an amount less than \$10,000 which must be a multiple of \$500, but may not be less than \$1,000. No person may carry a combined amount of national service life insurance on the term plan, United States Government life insurance on the term plan and servicemen's group life insurance in excess of \$10,000 at any one time. Any person insured under a permanent plan of national service life insurance or United States Government life insurance may be insured under this subchapter but the amount payable under his matured servicemen's group life insurance may not exceed the difference between the face value of such permanent plan insurance and \$10,000, plus the actual cash value of such permanent plan insurance on the date of the insured's death.

**"§ 768. Termination of coverage; conversion**

"Each policy purchased under this subchapter shall contain a provision, in terms approved by the Administrator, to the effect that any insurance thereunder on any member of the uniformed services shall cease thirty-one days after his separation or release from active duty, and that during the period such insurance is in force the insured upon request to the administrative office established under subsection 766(b) of this title shall be furnished a list of life insurance companies participating in the program established under this subchapter and upon written application to the participating company selected by the insured, proof of good health satisfactory to such company, and payment of the required premiums be granted insurance on a plan then currently written by such company, which does not provide for the payment of any sum less than the face value thereof or for the payment of an additional amount as premiums if the insured engages in the military service of the United States, to replace the servicemen's group life insurance in effect on the insured's life under this subchapter. For the purposes of this section any member who is absent without leave for a period of more than thirty-one days shall be deemed to have been separated from active duty as of the date such absence commenced. Any such member absent without leave shall be insured from the date he returns to active duty and there shall be deducted from his basic pay an amount to cover the premiums for the period he was insured during such absence.

**"§ 769. Premiums; payment; investment; expenses**

"(a) During any period in which a member is insured under the policy of insurance purchased by the Administrator, under section 766 of this title, there shall be deducted each month from his basic pay until separation or release from active duty, or otherwise paid, an amount determined by the Administrator (which shall be the same for all such members), as the share of the cost attributable to insuring such member under such policy, less any costs traceable to the extra hazard of performance of active duty in the uniformed service. Any amount not deducted from the basic pay of a member insured under this subchapter while on active duty, if not otherwise paid, shall be deducted from the proceeds of any insurance thereafter payable.

"(b) For each month for which any member is so insured, there shall be contributed from the appropriation made for his pay an amount determined by the Administrator and certified to the Secretary concerned to be the cost of such insurance which is traceable to the extra hazard of the performance of active duty in the uniformed services. Such costs shall be determined by the Administrator on the basis of the excess mortality suffered by members of the uniformed services on active duty above that incurred by the male civilian population of the United States of the same age as the average age of members of the uniformed services (disregarding a fraction of a year) as shown by the most current annual records of the uniformed services and the Department of Health, Education, and Welfare.

"(c) An amount equal to the first premium due on any such insurance may be advanced from current appropriations for active-service pay to any such member, which amount shall constitute a lien upon any service or other pay accruing to the person from whom such advance was made and shall be collected therefrom if not otherwise paid. No disbursing or certifying officer shall be responsible for any loss incurred by reason of such advance.

"(d) (1) The sums withheld from the basic pay of members, or otherwise paid, under subsection (a) of this section, and the sums contributed from appropriations under subsection (b) of this section, together with the income derived from any dividends or premium rate adjustments received from insurers shall be deposited to the credit of a revolving fund established in the Treasury of the United States.

All premium payments on any insurance policy or policies purchased under section 766 of this title and the administrative cost to the Veterans' Administration of insurance issued under this subchapter shall be paid from the revolving fund.

"(2) The Administrator is authorized to set aside out of the revolving fund such amounts as may be required to meet the administrative costs to the Veterans' Administration of insurance issued under this subchapter and all current premium payments on any insurance policy or policies purchased under section 766 of this title. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield.

"(3) Notwithstanding the provisions of section 782 of this title, the Administrator shall, from time to time, determine the administrative costs to the Veterans' Administration which in his judgment are properly allocable to insurance issued under this subchapter and shall transfer such cost from the revolving fund to the appropriation 'General operating expenses, Veterans' Administration'.

**"§ 770. Beneficiaries; payment of insurance**

"Any amount of servicemen's group life insurance in force on any member or former member on the date of his death shall be paid, upon the establishment of a valid claim therefor, to the person or persons surviving at the date of his death, in the following order of precedence:

"First, to the beneficiary or beneficiaries as the member or former member may have designated by a writing received in the uniformed services prior to such death;

"Second, if there be no such beneficiary, to the widow or widower of such member or former member;

"Third, if none of the above, to the child or children of such member or former member and descendants of deceased children by representation;

"Fourth, if none of the above, to the parents of such member or former member or the survivor of them;

"Fifth, if none of the above, to the duly appointed executor or administrator of the estate of such member or former member;

"Sixth, if none of the above, to other next of kin of such member or former member entitled under the laws of domicile of such member or former member at the time of his death.

"If any person otherwise entitled to payment under this section does not make claim therefor within one year after the death of the member or former member, or if payment to such person within that period is prohibited by Federal statute or regulation, payment may be made in the order of precedence as if such person had predeceased the employee, and any such payment shall be a bar to recovery by any other person.

**"§ 771. Basic tables of premiums; readjustment of rates**

"(a) Each policy or policies purchased under section 766 of this title shall include for the first policy year a schedule of basic premium rates by age which the Administrator shall have determined on a basis consistent with the lowest schedule of basic premium rates generally charged for new group life insurance policies issued to large employers, this schedule of basic premium rates by age to be applied, except as otherwise provided in this section, to the distribution by age of the amount of group life insurance under the policy at its date of issue to determine an average basic premium per \$1,000 of insurance. Each policy so purchased shall also include provisions whereby the basic rates of premium determined for the first policy year shall be continued for subsequent policy years, except that they may be readjusted for any subsequent year, based on the experience under the policy, such readjustment to be made by the insurance company or companies issuing the policy on a basis determined by the Administrator in advance of such year to be consistent with the general practice of life insurance companies under policies of group life insurance issued to large employers.

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"(b) Each policy so purchased shall include a provision that, in the event the Administrator determines that ascertaining the actual age distribution of the amounts of group life insurance in force at the date of issue of the policy or at the end of the first or any subsequent year of insurance thereunder would not be possible except at a disproportionately high expense, the Administrator may approve the determination of a tentative average group life premium, for the first or any subsequent policy year, in lieu of using the actual age distribution. Such tentative average premium rate shall be redetermined by the Administrator during any policy year upon request by the insurance company or companies issuing the policy, if experience indicates that the assumptions made in determining the tentative average premium rate for that policy year were incorrect.

"(c) Each policy so purchased shall contain a provision stipulating the maximum expense and risk charges for the first policy year, which charges shall have been determined by the Administrator on a basis consistent with the general level of such charges made by life insurance companies under policies of group life insurance issued to large employers. Such maximum charges shall be continued from year to year, except that the Administrator may redetermine such maximum charges for any year either by agreement with the insurance company or companies issuing the policy or upon written notice given by the Administrator to such companies at least one year in advance of the beginning of the year for which such redetermined maximum charges will be effective.

"(d) Each such policy shall provide for an accounting to the Administrator not later than ninety days after the end of each policy year, which shall set forth, in a form approved by the Administrator, (1) the amounts of premiums actually accrued under the policy from its date of issue to the end of such policy year, (2) the total of all mortality and other claim charges incurred for that period, and (3) the amounts of the insurers' expense and risk charge for that period. Any excess of the total of item (1) over the sum of items (2) and (3) shall be held by the insurance company or companies issuing the policy as a special contingency reserve to be used by such insurance company or companies for charges under such policy only, such reserve to bear interest at a rate to be determined in advance of each policy year by the insurance company or companies issuing the policy, which rate shall be approved by the Administrator as being consistent with the rates generally used by such company or companies for similar funds held under other group life insurance policies. If and when the Administrator determines that such special contingency reserve has attained an amount estimated by the Administrator to make satisfactory provision for adverse fluctuations in future charges under the policy, any further excess shall be deposited to the credit of the revolving fund established under section 766 of this title. If and when such policy is discontinued, and if after all charges have been made, there is any positive balance remaining in such special contingency reserve, such balance shall be deposited to the credit of the revolving fund, subject to the right of the insurance company or companies issuing the policy to make such deposit in equal monthly installments over a period of not more than two years.

**"§ 772. Benefit certificates**

"The Administrator shall arrange to have each member insured under a policy purchased under section 766 of this title receive a certificate setting forth the benefits to which the member is entitled thereunder, to whom such benefits shall be payable, to whom claims should be submitted, and summarizing the provisions of the policy principally affecting the member. Such certificate shall be in lieu of the certificate which the insurance company or companies would otherwise be required to issue.

**"§ 773. Forfeiture**

"Any person guilty of mutiny, treason, spying, or desertion, or who, because of conscientious objections, refuses to perform service in the Armed Forces of the United States or refuses to wear the uniform of such force, shall forfeit all rights to servicemen's group life insurance under this subchapter. No such insurance shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States.

**"§ 774. Effective date**

"The insurance provided for in this subchapter and the deductions and contributions for that purpose shall take effect on the date designated by the Administrator and certified by him to each Secretary concerned."

2802 INDEMNITY OR INSURANCE FOR THE ARMED FORCES

SEC. 2. The analysis of chapter 19 of title 38, United States Code, is amended (1) by redesignating "Subchapter III--General" as "Subchapter IV--General" and (2) by inserting after

"760. Waiver of premium payments on due date."

the following:

**"Subchapter III--Servicemen's Group Life Insurance**

"Sec.  
"765. Definitions.  
"766. Eligible insurance companies.  
"767. Persons insured; amount.  
"768. Termination of coverage; conversion.  
"769. Premiums; payment; investment; expenses.  
"770. Beneficiaries; payment of insurance.  
"771. Basic tables of premiums; readjustment of rates.  
"772. Benefit certificates.  
"773. Forfeiture.  
"774. Effective date."

[H. R. 19873, 89th Cong., 1st sess.]

A BILL To amend title 38 of the United States Code to establish a program of group life insurance which shall be provided by private insurance companies for members of the uniformed services who are on active duty

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 19 of title 38, United States Code, is amended by redesignating "Subchapter III--General" thereof as "Subchapter IV--General" and by inserting immediately after subchapter II thereof the following new subchapter III:

**"Subchapter III--Servicemen's Group Life Insurance**

**"§ 765. Definitions**

"For the purpose of this subchapter--

"(1) The term 'active duty' means full-time duty as a commissioned or warrant officer, or as an enlisted member of a uniformed service under a call or order to duty that does not specify a period of thirty days or less.

"(2) The term 'member' means a person on active duty in the uniformed services in a commissioned, warrant, or enlisted rank or grade.

"(3) The term 'uniformed services' means the Army, Navy, Air Force, Marine Corps, Coast Guard, Coast and Geodetic Survey, and Public Health Service.

**"§ 766. Eligible insurance companies**

"(a) The Administrator is authorized, without regard to section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), to purchase from one or more life insurance companies a policy or policies of group life insurance to provide the benefits specified in this subchapter. Each such life insurance company must (1) be licensed to issue life insurance in each of the fifty States of the United States and in the District of Columbia, and (2) as of the most recent December 31 for which information is available to the Administrator, have in effect at least 1 per centum of the total amount of group life insurance which all life insurance companies have in effect in the United States.

"(b) The life insurance company or companies issuing such policy or policies shall establish an administrative office at a place and under a name designated by the Administrator.

"(c) The Administrator shall arrange with the life insurance company or companies issuing any policy or policies under this subchapter to reinsure, under conditions approved by him, portions of the total amount of insurance under such policy or policies with such other life insurance companies as may elect to participate in such reinsurance.

"(d) The Administrator may at any time discontinue any policy or policies which he has purchased from any insurance company under this subchapter.

**"§ 767. Persons insured; amount**

"Any policy of insurance purchased by the Administrator under section 766 of this title shall automatically insure any member of the uniformed services on active duty against death in the amount of \$10,000 from the first day of such duty, or from the date certified by the Administrator to the Secretary concerned

as the date servicemen's group life insurance under this subchapter takes effect, whichever date is the later date, unless such member elects in writing (1) not to be insured under this subchapter, or (2) to be insured in an amount less than \$10,000 which must be a multiple of \$500, but may not be less than \$1,000. No person may carry a combined amount of national service life insurance on the term plan, United States Government life insurance on the term plan and servicemen's group life insurance in excess of \$10,000 at any one time. Any person insured under a permanent plan of national service life insurance or United States Government life insurance may be insured under this subchapter but the amount payable under his matured servicemen's group life insurance may not exceed the difference between the face value of such permanent plan insurance and \$10,000, plus the actual cash value of such permanent plan insurance on the date of the insured's death.

**"§ 768. Termination of coverage; conversion**

"Each policy purchased under this subchapter shall contain a provision, in terms approved by the Administrator, to the effect that any insurance thereunder on any member of the uniformed services shall cease one hundred and twenty days after his separation or release from active duty, and that during the period such insurance is in force the insured upon request to the administrative office established under subsection 766(b) of this title shall be furnished a list of life insurance companies participating in the program established under this subchapter and upon written application to the participating company selected by the insured and payment of the required premiums be granted insurance without a medical examination on a plan then currently written by such company which does not provide for the payment of any sum less the face value thereof or for the payment of an additional amount as premiums if the insured engages in the military service of the United States, to replace the servicemen's group life insurance in effect on the insured's life under this subchapter. For the purposes of this section any member who is absent without leave for a period of more than thirty-one days shall be deemed to have been separated from active duty as of the date such absence commenced. Any such member absent without leave shall be insured from the date he returns to active duty and there shall be deducted from his basic pay an amount to cover the premiums for the period he was insured during such absence.

**"§ 769. Premiums; payment; investment; expenses**

"(a) During any period in which a member is insured under a policy of insurance purchased by the Administrator, under section 766 of this title, there shall be deducted each month from his basic pay until separation or release from active duty, or otherwise paid, an amount determined by the Administrator (which shall be the same for all such members) as the share of the cost attributable to insuring such member under such policy, less any costs traceable to the extra hazard of performance of active duty in the uniformed service. Any amount not deducted from the basic pay of a member insured under this subchapter while on active duty, if not otherwise paid, shall be deducted from the proceeds of any insurance thereafter payable.

"(b) For each month for which any member is so insured, there shall be contributed from the appropriation made for his pay an amount determined by the Administrator and certified to the Secretary concerned to be the cost of such insurance which is traceable to the extra hazard of the performance of active duty in the uniformed services. Such costs shall be determined by the Administrator on the basis of the excess mortality suffered by members of the uniformed services on active duty above that incurred by the male civilian population of the United States of the same age as the average age of members of the uniformed services (disregarding a fraction of a year) as shown by the most current annual records of the uniformed services and the Department of Health, Education, and Welfare.

"(c) An amount equal to the first premium due on any such insurance may be advanced from current appropriations for active-service pay to any such member, which amount shall constitute a lien upon any service or other pay accruing to the person from whom such advance was made and shall be collected therefrom if not otherwise paid. No disbursing or certifying officer shall be responsible for any loss incurred by reason of such advance.

"(d)(1) The sums withheld from the basic pay of members, or otherwise paid, under subsection (a) of this section, and the sums contributed from appropriations under subsection (b) of this section, together with the income derived from any

dividends or premium rate adjustments received from insurers shall be deposited to the credit of a revolving fund established in the Treasury of the United States. All premium payments on any insurance policy or policies purchased under section 766 of this title and the administrative cost to the Veterans' Administration of insurance issued under this subchapter shall be paid from the revolving fund.

"(2) The Administrator is authorized to set aside out of the revolving fund such amounts as may be required to meet the administrative costs to the Veterans' Administration of insurance issued under this subchapter and all current premium payments on any insurance policy or policies purchased under section 766 of this title. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield.

"(3) Notwithstanding the provisions of section 782 of this title, the Administrator shall, from time to time, determine the administrative costs to the Veterans' Administration which in his judgment are properly allocable to insurance issued under this subchapter and shall transfer such cost from the revolving fund to the appropriation 'General operating expenses, Veterans' Administration'.

**"§ 770. Beneficiaries; payment of insurance**

"Any amount of Servicemen's Group Life Insurance in force on any member or former member on the date of his death shall be paid, upon the establishment of a valid claim therefor, to the person or persons surviving at the date of his death, in the following order of precedence:

"First, to the beneficiary or beneficiaries as the member or former member may have designated by a writing received in the uniformed services prior to such death;

"Second, if there be no such beneficiary, to the widow or widower of such member or former member;

"Third, if none of the above, to the child or children of such member or former member and descendants of deceased children by representation;

"Fourth, if none of the above, to the parents of such member or former member or the survivor of them;

"Fifth, if none of the above, to the duly appointed executor or administrator of the estate of such member or former member;

"Sixth, if none of the above, to other next of kin of such member or former member entitled under the laws of domicile of such member or former member at the time of his death.

"If any person otherwise entitled to payment under this section does not make claim therefor within one year after the death of the member or former member, or if payment to such person within that period is prohibited by Federal statute or regulation, payment may be made in the order of precedence as if such person had predeceased the employee, and any such payment shall be a bar to recovery by any other person.

**"§ 771. Basic tables of premiums; readjustment of rates**

"(a) Each policy or policies purchased under section 766 of this title shall include for the first policy year a schedule of basic premium rates by age which the Administrator shall have determined on a basis consistent with the lowest schedule of basic premium rates generally charged for new group life insurance policies issued to large employers, this schedule of basic premium rates by age to be applied, except as otherwise provided in this section, to the distribution by age of the amount of group life insurance under the policy at its date of issue to determine an average basic premium per \$1,000 of insurance. Each policy so purchased shall also include provisions whereby the basic rates of premium determined for the first policy year shall be continued for subsequent policy years, except that they may be readjusted for any subsequent year, based on the experience under the policy, such readjustment to be made by the insurance company or companies issuing the policy on a basis determined by the Administrator in

advance of such year to be consistent with the general practice of life insurance companies under policies of group life insurance issued to large employers.

"(b) Each policy so purchased shall include a provision that, in the event the Administrator determines that ascertaining the actual age distribution of the amounts of group life insurance in force at the date of issue of the policy or at the end of the first or any subsequent year of insurance thereunder would not be possible except at a disproportionately high expense, the Administrator may approve the determination of a tentative average group life premium, for the first or any subsequent policy year, in lieu of using the actual age distribution. Such tentative average premium rate shall be redetermined by the Administrator during any policy year upon request by the insurance company or companies issuing the policy, if experience indicates that the assumptions made in determining the tentative average premium rate for that policy year were incorrect.

"(c) Each policy so purchased shall contain a provision stipulating the maximum expense and risk charges for the first policy year, which charges shall have been determined by the Administrator on a basis consistent with the general level of such charges made by life insurance companies under policies of group life insurance issued to large employers. Such maximum charges shall be continued from year to year, except that the Administrator may redetermine such maximum charges for any year either by agreement with the insurance company or companies issuing the policy or upon written notice given by the Administrator to such companies at least one year in advance of the beginning of the year for which such redetermined maximum charges will be effective.

"(d) Each such policy shall provide for an accounting to the Administrator not later than ninety days after the end of each policy year, which shall set forth, in a form approved by the Administrator, (1) the amounts of premiums actually accrued under the policy from its date of issue to the end of such policy year, (2) the total of all mortality and other claim charges incurred for that period, and (3) the amounts of the insurers' expense and risk charge for that period. Any excess of the total of item (1) over the sum of items (2) and (3) shall be held by the insurance company or companies issuing the policy as a special contingency reserve to be used by such insurance company or companies for charges under such policy only, such reserve to bear interest at a rate to be determined in advance of each policy year by the insurance company or companies issuing the policy, which rate shall be approved by the Administrator as being consistent with the rates generally used by such company or companies for similar funds held under other group life insurance policies. If and when the Administrator determines that such special contingency reserve has attained an amount estimated by the Administrator to make satisfactory provision for adverse fluctuations in future charges under the policy, any further excess shall be deposited to the credit of the revolving fund established under section 766 of this title. If and when such policy is discontinued, and if after all charges have been made, there is any positive balance remaining in such special contingency reserve, such balance shall be deposited to the credit of the revolving fund, subject to the right of the insurance company or companies issuing the policy to make such deposit in equal monthly installments over a period of not more than two years.

#### "§ 772. Benefit certificates

"The Administrator shall arrange to have each member insured under a policy purchased under section 766 of this title receive a certificate setting forth the benefits to which the member is entitled thereunder, to whom such benefit shall be payable, to whom claims should be submitted, and summarizing the provisions of the policy principally affecting the member. Such certificate shall be in lieu of the certificate which the insurance company or companies would otherwise be required to issue.

#### "§ 773. Forfeiture

"Any person guilty of mutiny, treason, spying, or desertion, or who, because of conscientious objections, refuses to perform service in the Armed Forces of the United States or refuses to wear the uniform of such force, shall forfeit all rights to servicemen's group life insurance under this subchapter. No such insurance shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States.

#### "§ 774. Effective date

"The insurance provided for in this subchapter and the deductions and contributions for that purpose shall take effect on the date designated by the Administrator and certified by him to each Secretary concerned."



2000 INDEMNITY OR INSURANCE FOR THE ARMED FORCES

SEC. 2. The analysis of chapter 19 of title 38, United States Code, is amended (1) by redesignating "SUBCHAPTER III—GENERAL" as "SUBCHAPTER IV—GENERAL" and (2) by inserting after

"760. Waiver of premium payment on due date."

the following:

"SUBCHAPTER III—SERVICEMEN'S GROUP LIFE INSURANCE

"Sec.

"766. Definitions.

"766. Eligible insurance companies.

"767. Persons insured; amount.

"768. Termination of coverage; conversion.

"769. Premiums; payment; investment; expenses.

"770. Beneficiaries; payment of insurance.

"771. Basic tables of premiums; readjustment of rates.

"772. Benefit certificates.

"773. Forfeiture.

"774. Effective date."

[S. 2127, 89th Cong., 1st sess.]

AN ACT To amend title 38, United States Code, in order to provide special indemnity insurance for members of the Armed Forces serving in combat zones, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) chapter 19 of title 38, United States Code, is amended by adding at the end thereof a new section as follows:*

**"§ 789. Special indemnity insurance for members of the Armed Forces serving in combat zones**

"(a) Any person on active duty with the Armed Forces in a combat zone shall, as provided in this section, be automatically insured by the United States, without cost to such person, against death in the principal amount of \$10,000. Such person shall be insured during the time that he serves in a combat zone, and shall be deemed to have been serving in a combat zone at the time of his death if he dies outside of a combat zone and (1) his death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in a combat zone, and (2) the injury or disease from which such person died was incurred not more than two years prior to death.

"(b) Upon certification by the Secretary of the military department concerned of the death of any person automatically insured under this section, the Administrator shall cause the indemnity to be paid as provided in subsection (c) only to the surviving spouse, child or children (including a stepchild, adopted child, or an illegitimate child if the latter was designated as beneficiary by the insured), parent (including a stepparent, parent by adoption, or person who stood in loco parentis to the insured at any time prior to entry into the active service for a period of not less than one year), brother, or sister of the insured, including those of the halfblood and those through adoption. The insured shall have the right to designate the beneficiary or beneficiaries of the indemnity within the classes herein provided; to designate the proportion of the principal amount to be paid to each; and to change the beneficiary or beneficiaries without the consent thereof but only within the classes herein provided. If the designated beneficiary or beneficiaries do not survive the insured, or if none has been designated, the Administrator shall make payment of the indemnity to the first eligible class of beneficiaries according to the order set forth above, and in equal shares if the class is composed of more than one person. Unless designated otherwise by the insured, the term 'parent' shall include only the mother and father who last bore that relationship to the insured. Any installments of an indemnity not paid to a beneficiary during such beneficiary's lifetime shall be paid to the named contingent beneficiary, if any; otherwise, to the beneficiary or beneficiaries within the permitted class next entitled to priority, but no payment shall be made to the estate of any deceased person.

"(c) The indemnity shall be payable in equal monthly installments of one hundred and twenty in number with interest at the rate of 2½ per centum per annum.

"(d) In the event any person was covered at the time of his death by automatic indemnity under this section and was also insured against such death under a contract of national service life insurance or United States Government life insurance, the indemnity authorized to be paid hereunder shall be a principal amount equal to the difference between the amount of insurance in force at the time of death and \$10,000.

"(c) The Administrator is authorized to promulgate such rules and regulations, not inconsistent with this section, as are necessary or appropriate to carry out its purposes.

"(f) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this section for the payment of liabilities under this section.

"(g) Any person guilty of mutiny, treason, spying, or desertion shall forfeit all rights to an indemnity under this section, but restoration to active duty after commission of any such offense shall restore all rights under this section. No indemnity shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy, as defined by the President.

"(h) As used in this section the term 'combat zone' means any area outside the United States determined by the President to be an area in which units of the Armed Forces of the United States have engaged in combat operations on or after January 1, 1962, and before such date as may be determined by Presidential proclamation."

(b) The analysis of subchapter III of chapter 19 of such title is amended by adding at the end thereof the following:

"789. Special indemnity insurance for members of the Armed Forces serving in combat zones."

Sec. 2. Title 38, United States Code, is further amended as follows:

(1) Section 417(a) is amended—

(A) By deleting therefrom the words "under section 724 of this title" and inserting in lieu thereof the words "in effect on January 1, 1959, and continued in effect under section 724(a) of this title".

(B) By adding at the end thereof the following: "The prohibition against the payment of dependancy and indemnity compensation contained in this subsection shall not apply to insureds who on or after the effective date of this amendment die while on active duty in a combat zone as defined in section 789 of this title, or within 120 days after duty in such a zone, or

(1) whose death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in a combat zone, and  
(2) the injury or disease from which such person died was incurred not more than two years prior to death."

(2) Delete from the last sentence of subsection (c) of section 704 the words "or section 725" each time they appear and insert in lieu thereof the words "section 725, or section 726".

(3) Subsection (b) of section 724 is repealed and the following new subsections are added to section 724:

"(b) After the date of enactment of this subsection any person who is on active duty with the Armed Forces in a combat zone, as defined in section 789 of this title, for a continuous period of 30 days or more and any person hereafter ordered to such duty under orders for 30 days or more in such a combat zone, who is insured under National Service Life Insurance or United States Government Life Insurance shall be entitled, upon written application, to a waiver (with the right to a refund after termination of such duty) of all premiums paid on term insurance and that portion of any permanent insurance premiums paid representing the cost of the pure insurance risk, as determined by the Administrator. All premiums due during the period the waiver is in effect must be timely paid to maintain the insurance in force. Such waiver shall apply to premiums becoming due after the first day of the first calendar month following the date of enactment of this subsection, or the first day of the first calendar month following entry on active duty with the Armed Forces in such a combat zone, whichever is the later date, and during the remainder of such continuous active duty in a combat zone for 120 days thereafter; however, no premium becoming due prior to the date of application for waiver under this subsection shall be waived or refunded. Any premium waiver granted under this subsection on a participating contract of insurance shall render such insurance nonparticipating during the period such premium waiver is in effect. Upon certification of the period of combat zone duty by the Secretary of the military department concerned, and upon application by the insured, or in death cases by the beneficiary of his insurance, the Administrator shall refund to the insured or to the beneficiary the amount of premiums waived under this subsection. Premiums on term insurance waived under this subsection shall be refunded with interest as determined by the Administrator.

"(c) Whenever benefits become payable because of the maturity of such

payment of such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits under such policy. Where life contingencies are involved in the calculation of the value of such benefits, the calculation of such liability or liabilities shall be based upon such mortality table or tables as the Administrator may prescribe with interest at the rate of 3 per centum per annum as to National Service Life Insurance which was participating before waiver was granted, and 3½ per centum per annum as to United States Government Life Insurance. The Administrator shall transfer from time to time from the National Service Life Insurance appropriation to the National Service Life Insurance Fund and from the Military and Naval Insurance appropriation to the United States Government Life Insurance Fund such sums as may be necessary to carry out the provisions of this section."

(4) Subchapter I of chapter 19, of such title is amended by adding at the end thereof a new section as follows:

"§ 726. Post-service insurance for persons serving in combat zones

"(a) Any person entitled to indemnity protection under section 789 of this title who is ordered to active duty with the Armed Forces in a combat zone as defined in such section for a period of 30 days or more, or who served in such zone for 30 days or more, shall, upon application in writing made within 120 days after separation from active duty and payment of premiums as hereinafter provided, and without medical examination, be granted insurance. The insurance granted under this section shall be issued upon the same terms and conditions as are contained in standard policies of National Service Life Insurance except (1) term insurance may not be renewed on the term plan after the insured's 50th birthday; (2) the premium rates for term or permanent plan insurance shall be based on the 1958 Commissioners Standard Ordinary Mortality Table; (3) all cash, loan, extended and paid-up insurance values shall be based on the 1958 Commissioners Standard Ordinary Mortality Table; (4) all settlements on policies involving annuities shall be calculated on the basis of the Annuity Table for 1949; (5) all calculations in connection with insurance issued under this subsection shall be based on interest at the rate of 3½ per centum per annum; (6) the insurance shall include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable; (7) the insurance and any total disability income provisions attached thereto shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited to a revolving fund established in the Treasury of the United States and the payments on such insurance and total disability provision shall be made directly from such fund. Appropriations to such fund are hereby authorized.

"(b) The Administrator is authorized to set aside out of the revolving fund established under subsection (a) of this section such reserve amounts as may be required under accepted actuarial principles to meet all liabilities on insurance issued thereunder and any total disability income provision attached thereto. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield."

(5) The analysis of subchapter I of chapter 19 of such title is amended by adding at the end thereof the following:

"726. Post-service insurance for persons serving in combat zones."

(6) Section 3107 of such title is amended by adding at the end thereof a new subsection as follows:

"(d) If the surviving spouse of a deceased person covered by indemnity insurance has remarried, or if any of such person's children are not in the custody of a surviving spouse, all or any part of the indemnity insurance otherwise payable

to such spouse may be apportioned on behalf of surviving children or parents as may be prescribed by the Administrator."

Passed the Senate August 19 (legislative day, August 18), 1965.

Attest:

FELTON M. JOHNSTON,  
*Secretary.*

Mr. EVERETT. Without objection, there will be inserted at this point in the record a letter received from the Honorable Hale Boggs, along with a letter which he furnished from Miss Penn Cuney. Following Miss Cuney's letter, there will be inserted a letter dated August 16, 1965, with attachment, addressed to Mr. Stephen S. Jackson, Special Assistant, Assistant Secretary of Defense, by Mr. James C. Higgins, vice president of Marsh & McLennan, which has reference to proposed Armed Forces group life insurance.

HOUSE OF REPRESENTATIVES,  
*Washington, D.C., September 3, 1965.*

HON. OLIN E. TEAGUE,  
*Chairman, Committee on Veterans' Affairs,*  
*House of Representatives,*  
*Washington, D.C.*

DEAR MR. CHAIRMAN: In connection with forthcoming hearings on S. 2127 I should like to forward the enclosed recommendation from one of my constituents, Miss Penn Cuney.

Any appropriate consideration that can be given her proposal will be appreciated.

Sincerely,

HALE BOGGS,  
*Member of Congress.*

NEW ORLEANS, LA., *August 31, 1965.*

HON. HALE BOGGS,  
*House Office Building,*  
*Washington, D.C.*

DEAR REPRESENTATIVE BOGGS: It has come to my attention that the Senate recently passed bill S. 2127, introduced by Senator Talmadge, which provides \$10,000 special indemnity insurance against death for members of the Armed Forces serving in combat zones on or after January 1, 1962, and the bill now goes to the House Veterans' Affairs Committee for consideration.

As the aunt of a 20-year-old nephew, Michael Stephen Andriola, Navy 599-50-25, who was killed on April 28, 1965, at a military base in Iceland, I am urging you to support an amendment to the bill which would extend coverage to any serviceman who has died while on active duty on or since January 1, 1962. As I am sure you are aware, no GI insurance could even be purchased in March 1963, the date of Mike's enlistment. His parents do not qualify for benefits available under the dependency and indemnity compensation law as their income is slightly above the limitation specified in that law.

The loss of this fine young man is an irreplaceable one, but as he gave his life in the service of our country, we naturally believe whatever benefits, recognition, and the like are made available to survivors of other men, though killed in combat zones, should be available to this parents.

Please be assured any assistance you can give in this matter will be greatly appreciated by all the members of my family, and I am sure, by many other bereaved relatives throughout the Nation who have suffered a similar loss.

Sincerely yours,

(Miss) PENN CUNEY,  
*Law Clerk to Chief Justice John B. Fournet, Supreme Court of Louisiana.*

AUGUST 16, 1965.

Re Armed Forces group life insurance.

Mr. STEPHEN S. JACKSON,  
Special Assistant,  
Assistant Secretary of Defense,  
Washington, D.C.

DEAR Mr. JACKSON: In accordance with our discussion in your office on July 27, I am enclosing an outline of a group life insurance program for members of our Armed Forces. Such a program would make available low-cost, nonmedical insurance to every serviceman, regardless of age, duty, or location, thus filling a need which has existed for many of our men (particularly those nonmarried individuals whose beneficiaries are entitled to limited cash payments of \$800 to \$3,000), for a number of years. While the Vietnam war has highlighted and emphasized the need for insurance by members of the Armed Forces, we believe that a large percentage of the servicemen recognize the need for additional protection for their families in the event of death as a result of natural or accidental causes. When NSLI was closed to new entrants more than 10 years ago, acquisition of insurance by servicemen became more difficult, more costly, and consequently more haphazard. A group life insurance plan similar to that available to civilian employees of the Federal Government would do much to solve this basic problem.

The plan suggested is one that would be underwritten by the insurance industry with one or more of the leading insurance companies as the administering company and reinsured by every life insurance company which meets certain basic criteria and wishes to participate in the program. The group contract would be issued to an agency of the Federal Government, perhaps the Department of Defense or Veterans' Administration and would provide insurance for death from any cause.

The so-called war risk element could be covered by allocation of part of the Government share of the total premium to the war risk which would be separately experience rated.

Alternatively, the policy could be written excluding the war risk coverage assuming the Government would provide this coverage independently of the group contract.

The congressional activity last week on this subject seems to indicate some early action with respect to the war risk coverage. However, we suggest that this is only part of the insurance problem facing American servicemen, and that it is therefore timely for consideration to be given to a broad program such as that in the attached outline.

Our discussion with several of the leading life insurance companies indicates that support and cooperation of the insurance industry would be immediately given to this program.

I shall look forward to meeting with you and your associates for a review of this plan. Thank you for the courtesies extended by you to Mr. Foley, Mr. Hoagland, and myself.

Very truly yours,

MARSH & McLENNAN,  
JAMES C. HIGGINS  
Vice President.

#### ARMED FORCES GROUP LIFE INSURANCE

*Form of policy.*—Group term life insurance including waiver of premium in event of total and permanent disability—issued to DOD or VA or other Government agency.

*Amount of insurance.*—\$10,000.

*Beneficiary.*—Payable to person or persons designated by insured individual.

*Limitations.*—Payable in event of death for any reason. No medical examination required, no restriction on duty or location.

*Conversion.*—Convertible within 31 days upon leaving the Armed Forces to individual policy of like amount without physical examination. Rate based on attained age of insured person.

*Coverage on retirement.*—After 20 years of service but less than 30 years of service, \$2,500; after 30 years of service, \$4,000.

*Premium.*—To be determined but in the area of 40 to 50 cents per month per \$1,000. As in the Federal employees group life plan we suggest payment of one-third of premium by the Government and two-thirds by the serviceman.

*Experience rating.*—Experience credits would be determined based on each year's claim experience and would be paid in cash to reduce the Government's net cost.

*Premium collection.*—By allotment.

*Underwriters.*—One or more administering companies. Reinsured with all interested life insurance companies similar to FEGIL.

Mr. EVERETT. The Veterans' Administration has furnished a number of examples of monetary benefits which would be payable to survivors of service personnel who die of service-connected causes at the present time. It will be noted that the amount of payments of various types of benefits depends upon the age of the individual serviceman at death, the number of his dependents, his rank and length of service at the time of his death, and various other factors. I ask that these examples be inserted in the record at this point in the proceedings.

(The material furnished by Veterans' Administration follows:)

SURVIVORSHIP BENEFITS FOR SERVICEMEN DYING FROM SERVICE-CONNECTED CAUSES

Case No. 1

ASSUMPTIONS

1. Sergeant, U.S. Army.
2. Age 25 at death.
3. Death was service connected.
4. Seven years' service at death.
5. Three years in grade at death.
6. Average earnings; \$251.10 a month (base pay).
7. Left a widow, age 25, and two children, ages 1 and 3.
8. Widow lives out her expectation of life (50.8 years).
9. Children receive maximum number of payments.
10. Widow does not remarry.

BENEFITS

Payee	Paying agency	Type of payment	Payment period (months)	Payment rate	Total payments
Widow	HEW	Social security	1 204	\$63.80	\$13,015.20
2d child	HEW	do.	2 252	\$ 63.80	16,662.40
1st child	HEW	do.	4 228	\$ 63.80	14,788.80
Widow	VA	Social security (38 U.S.C. 412(a)).	6 165	\$1.80	13,414.50
Do	VA	DIC	609	151.00	91,959.00
2d child	VA	WOWA	36	110.00	3,960.00
1st child	VA	WOWA	36	110.00	3,960.00
Total					157,659.90

- 1 Until youngest child reaches 18.  
 2 204 months to age 18 plus 48 months in full-time training.  
 3 \$63.80 to age 18; \$73.90 from age 18 through age 21.  
 4 180 months to age 18 plus 48 months in full-time training.  
 5 \$63.80 to age 20; \$73.90 from age 20 through age 21.  
 6 Beginning at age 62.

Case No. 2

ASSUMPTIONS

1. Sergeant, U.S. Army.
2. Age 25 at death.
3. Death was service connected.
4. Seven years' service at death.
5. Three years in grade at death.
6. Average earnings, \$251.10 a month (base pay).
7. Left dependent parents, each age 50 (no income other than shown).
8. Left no widow or child.
9. Parents live out their expectations of life (mother: 27.7 years; father: 23 years).

BENEFITS

Payee	Paying agency	Type of payment	Payment period (months)	Payment rate	Benefits		
					VA	HEW	Total
Father.....	VA	DIC.....	1 144	\$55.00	\$7,920		
			2 132	22.00	2,904		
		Social security (38 U.S.C. 412(a)).	3 132	76.30		\$10,071	
Total.....					10,824	10,071	\$20,895
Mother.....	VA	DIC.....	1 144	56.00	7,920		
			2 132	22.00	2,904		
			3 56	50.00	2,800		
		Social security (38 U.S.C. 412(a)).	3 132	76.30		10,071	
			4 56	84.00		4,704	
Total.....					13,624	14,775	28,399
Grand total.....					24,448	24,846	49,294

- 1 As 1 or 2 parents to age 62.  
2 Rate adjustment due to social security income.  
3 Social security as 1 of 2 parents from age 62.  
4 Rate of payment as sole surviving parent.

Case No. 3

ASSUMPTIONS

1. Captain, U.S. Army.
2. Age 25 at death.
3. Death was service connected.
4. Seven years' service at death.
5. Three years in grade at death.
6. Average earnings, \$558.60 a month (base pay).
7. Left a widow, age 25, and two children, ages 1 and 3.
8. Widow lives out her expectation of life (50.8 years).
9. Children receive maximum number of payments.
10. Widow does not remarry.

BENEFITS

Payee	Paying agency	Type of payment	Payment period (months)	Payment rate	Total payments
Widow.....	HEW	Social security.....	1 204	\$102.00	\$20,808
2d child.....	HEW	do.....	2 252	102.00	25,704
1st child.....	HEW	do.....	3 228	102.00	23,256
Widow.....	VA	Social security (38 U.S.C. 412(a)).	4 165	112.20	18,513
Do.....	VA	DIC.....	609	188.00	114,492
2d child.....	VA	WOWA.....	36	110.00	3,960
1st child.....	VA	WOWA.....	36	110.00	3,960
Total.....					210,693

- 1 Until youngest child reaches age 18.  
2 204 months to age 18 plus 48 months in full-time training.  
3 180 months to age 18 plus 48 months in full-time training.  
4 Beginning at age 62.

Case No. 4

ASSUMPTIONS

1. Captain U.S. Army.
2. Age 25 at death.
3. Death was service connected.
4. Seven years' service at death.
5. Three years in grade at death.
6. Base pay at death was \$558.60 a month (assumed average monthly wage, \$6.00).

7. Left dependent parents, each age 50 (no income other than shown).  
 8. Left no widow or child.  
 9. Parents live out their expectations of life (mother: 27.7 years; father: 23 years).

BENEFITS

Payee	Paying agency	Type of payment	Payment period (months)	Payment rate	Benefits		
					VA	HEW	Total
Father	VA	DIC	<sup>1</sup> 144	\$56	\$7,920		
			132	<sup>2</sup> None			
	VA	Social security (38 U.S.C. 412(a)).	<sup>3</sup> 132	102		\$18,404	
Total					7,920	18,464	\$21,384
Mother	VA	DIC	<sup>1</sup> 144	55	7,920		
			132	<sup>2</sup> None			
			<sup>4</sup> 56	33	1,848		
	VA	Social security (38 U.S.C. 412(a)).	<sup>3</sup> 132	102		18,404	
			<sup>4</sup> 56	112.20		6,283	
Total					9,768	19,747	29,515
Grand total					17,688	33,210	50,898

- <sup>1</sup> As 1 of 2 parents to age 62.  
<sup>2</sup> DIC terminated because combined social security of both parents, which is income, exceeds \$2,400 a year permitted maximum.  
<sup>3</sup> Social security as 1 of 2 parents from age 62.  
<sup>4</sup> Rate of payment as sole surviving parent.

Case No. 5

ASSUMPTIONS

- Private, first class, U.S. Army.
- Age 20 at death.
- Death was service connected.
- Two years service at death.
- Two years in grade at death;
- Assumed average monthly pay was \$160.
- Base pay at death was \$148.50 a month.
- Left a widow, age 20, and a child, age 1.
- Widow lives out her expectation of life (55.6 years).
- Child receives maximum number of payments.
- Widow does not remarry.

BENEFITS

Payee	Paying agency	Type of payment	Payment period (months)	Payment rate	Total payments
Widow	HEW	Social security	<sup>1</sup> 204	\$60.30	\$12,301.20
Child	HEW	do	<sup>2</sup> 252	60.30	15,185.60
Widow	VA	Social security (38 U.S.C. 412(a)).	<sup>3</sup> 168	66.30	10,806.00
Do	VA	DIC	667	138.00	92,046.00
Child	VA	WOWA	36	110.00	3,960.00
Total					134,309.70

- <sup>1</sup> Until child reaches age 18.  
<sup>2</sup> 204 months to age 18 plus 48 months in full-time training.  
<sup>3</sup> Beginning at age 62.

Case No. 6

ASSUMPTIONS

- Private, first class, U.S. Army.
- Age 20 at death.
- Death was service connected.



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4. Two years' service at death.
5. Two years in grade at death.
6. Assumed average monthly pay was \$160.
7. Base pay at death was \$148.50 a month.
8. Left dependent parents (no other income), age 45.
9. Parents live out their expectations of life (mother: 32.1 years; father: 27.1 years).

BENEFITS

Payee	Paying agency	Type of payment	Payment period (months)	Payment rate	Total payments
Mother.....	VA	Social Security 38 U.S.C. 412(a).	<sup>1</sup> 181	<sup>2</sup> \$60.30	\$11,274.30
Father.....	VA	do.....	<sup>3</sup> 121	60.30	7,296.30
Mother.....	VA	DIC.....	385	<sup>4</sup> 55.00	19,173.00
Father.....	VA	DIC.....	325	<sup>5</sup> 55.00	15,213.00
Total.....					52,956.60

<sup>1</sup> Beginning at age 62.

<sup>2</sup> Increasing to \$66.30 after death of the father.

<sup>3</sup> Beginning at age 62.

<sup>4</sup> Decreasing to \$33 at age 62 and then increasing to \$66 after death of the father.

<sup>5</sup> Decreasing to \$33 at age 62.

Case No. 7

ASSUMPTIONS

1. Second Lieutenant, U.S. Army.
2. Age 23 at death.
3. Death was service connected.
4. Four years' service at death.
5. Four years in grade at death.
6. Assumed average monthly pay was \$329.
7. Base pay at death was \$384.30 a month.
8. Left a widow, age 23, and a child, age 3.
9. Widow lives out her expectation of life (52.7 years).
10. Child receives maximum number of payments.
11. Widow does not remarry.

BENEFITS

Payee	Paying agency	Type of payment	Payment period (months)	Payment rate	Total payments
Widow.....	HEW	Social security.....	<sup>1</sup> 180	\$90	\$16,200
Child.....	HEW	do.....	<sup>2</sup> 228	90	20,520
Widow.....	VA	Social security (38 U.S.C. 412(a)).	<sup>3</sup> 181	99	16,236
Do.....	VA	DIC.....	632	167	105,544
Child.....	VA	WOWA.....	36	110	3,960
Total.....					162,460

<sup>1</sup> Until child reaches age 18.

<sup>2</sup> 180 months to age 18 plus 48 months in full-time training.

<sup>3</sup> Beginning at age 62.

Case No. 8:

ASSUMPTIONS

1. Second lieutenant, U.S. Army.
2. Age 23 at death.
3. Death was service-connected.
4. Four years' service at death.
5. Four years in grade at death.
6. Assumed average monthly pay was \$329.
7. Base pay at death was \$384.30 a month.
8. Left dependent parents (no other income), each age 50.
9. Parents live out their expectations of life (mother: 27.7 years; father: 23 years).

BENEFITS

Payee	Paying agency	Type of payment	Payment period (months)	Payment rate	Total payments
Mother.....	VA	Social security (38 U.S.C. 412(a)).	<sup>1</sup> 188	<sup>2</sup> \$90	\$17,424
Father.....	VA	do.....	<sup>3</sup> 132	00	11,880
Mother.....	VA	DIC.....	332	<sup>4</sup> 55	12,172
Father.....	VA	DIC.....	276	<sup>5</sup> 55	9,372
Total.....					50,848

<sup>1</sup> Beginning at age 62.

<sup>2</sup> Increasing to \$90 after death of the father.

<sup>3</sup> Beginning at age 62.

<sup>4</sup> Decreasing to \$11 at age 62 and then increasing to \$50 after death of the father.

<sup>5</sup> Decreasing to \$11 at age 62.

Mr. EVERETT. The Veterans' Administration has also furnished a number of tables which furnish comparative information related to the cause of in-service deaths in Vietnam and in areas other than Vietnam. This material is quite pertinent to this hearing, and I ask unanimous consent that it be printed at this point in the record, and following these tables material which the Department of Defense has furnished which summarizes total deaths in the service from January 1, 1962, through June 30, 1965, by service; deaths in service from 1958 through 1965; "hot spot" deaths, by cause of death, 1961 through 1965; and a table showing deaths in Vietnam and the Dominican Republic, from January 1, 1962, through August 16, 1965, by service and rank of the deceased servicemen.

(The following material was furnished by the Veterans' Administration:)

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DEATHS IN SERVICE--NOT THE RESULT OF COMBAT

NOT IN VIETNAM

Period of service to date of death:  
June 16, 1952, to May 3, 1962.

Facts: Serviceman was a passenger in a military vehicle returning from observing night firing of tanks on a firing range. The tank firing had been in progress for approximately 2½ hours from 2145 to 0015. The tank firing was being conducted under combat conditions. The military vehicle in which the serviceman was a passenger was traveling for 2 miles on blackout lights. While going around a curve, the jeep (military vehicle) skidded and overturned. The jeep crushed the serviceman who was apparently killed instantly.

Period of service to date of death:  
April 9, 1943, to March 19, 1946; September 4, 1957, to December 7, 1962.

Facts: Serviceman died on December 7, 1962, at ---, N.Y., as a result of a coronary thrombosis attack.

Period of service to date of death:  
September 15, 1958, to September 13, 1959.

Facts: Serviceman died on September 13, 1959, in Korea, as a result of encephalitis (inflammation of the brain).

Period of service to date of death:  
June 13, 1956, to July 2, 1958.

Facts: Serviceman while on duty in Germany was on authorized leave and drowned while swimming in --- Lake, --- Germany.

Period of service to date of death:  
January 27, 1956 to December 31, 1959.

Facts: Serviceman died December 31, 1959, in a military aircraft accident at Keflavik Airport, Iceland. He was a navigator radar intercept officer.

Period of service to date of death:  
October 8, 1957, to February 22, 1958.

Facts: Serviceman was copilot in helicopter, which was one of a formation of seven helicopters en route on orders to Fort Lewis, Wash., from Fort Riley, Kans. During flight adverse weather conditions necessitated a "turn back" order. Four of the seven aircraft went out of control. Two helicopters crashed into a hill side and burned. Pilots and crews of both helicopters were killed instantly.

IN VIETNAM

Period of service to date of death:  
September 30, 1963, to March 23, 1965.

Facts: Serviceman died as a result of internal hemorrhage sustained when he was pinned between a forklift and another vehicle. Death occurred near Da Nang, Vietnam. Accident resulted from faulty brakes on forklift which ran into him while he was engaged in unloading supplies from an LST.

Period of service to date of death:  
June 14, 1964, to March 20, 1965.

Facts: Serviceman died aboard LST at sea. Exact cause of death unknown. Most probable cause of death myocardial infarct or pulmonary embolism. No autopsy performed.

Period of service to date of death:  
January 17, 1963, to July 4, 1965.

Facts: Serviceman died aboard U.S.S. --- at sea, apparently in water off Vietnam, as the result of encephalitis.

Period of service to date of death:  
January 30, 1963, to May 23, 1965.

Facts: Serviceman died at Chu Lai, Vietnam, as result of accidental drowning. On May 23, 1965, the serviceman and three other marines received permission to go to the beach to swim for recreation. While swimming he suddenly disappeared. His body was recovered. No negligence on anyone's part is shown.

Period of service to date of death:  
August 29, 1961, to November 21, 1964.

Facts: Serviceman's death was due to helicopter crash when helicopter on which he was crew chief crashed into sea approximately 2 miles from the aircraft carrier U.S.S. Princeton. Aircraft apparently operating off shores of Vietnam.

Period of service to date of death:  
June 20, 1963, to June 6, 1965.

Facts: Serviceman died June 6, 1965, near Chu Lai, Republic of Vietnam, from the results of injuries sustained when helicopter in which he was copilot collided with another helicopter shortly after taking off from U.S.S. Iwo Jima and crashed into sea.

(The following tables were furnished by the Department of Defense:)

*Summary of total deaths from Jan. 1, 1962, through June 30, 1965*

	Army	Navy	Marines	Air Force	Total
Total deaths:					
Calendar year 1962	1,638	1,059	297	1,365	4,359
Calendar year 1963	1,613	1,103	347	1,394	4,447
Calendar year 1964	1,601	1,130	327	1,348	4,496
Jan. 1 to June 30, 1965	1,336	517	441	662	2,966
Grand total	6,278	3,809	1,412	4,759	16,258
Location of deaths in percentage:					
United States	70	68	69.9		
Overseas	30	32	30.1		
(Europe)	(20)				
(Pacific)	(8)				
(Other)	(2)				
Causes in percentage:					
Natural deaths (includes disease)	25.4	14.4	13.9	27.7	
Aircraft accidents		15.4		20.9	
Vehicular accidents		25.8		31.1	
Other (includes drowning)	5.5	28.1			
Total accidental deaths	53.1	69.3	68.8	52.0	
Suicides	8.2	4.6			
Hostile action	1.0	.8	8.7		
Miscellaneous	12.2	10.9	8.6	20.8	

<sup>1</sup> Only drowning deaths.

<sup>2</sup> Includes suicides, hostile action, and other accidental deaths.

*Total in-service deaths, fiscal years 1958-65, and "hot spot" deaths, fiscal years 1961-65*

Fiscal year:	Total in-service deaths
1958	4,781
1959	4,354
1960	4,015
1961	3,889
1962	4,284
1963	4,447
1964	4,362
1965 estimate	4,400
Total, 8 years	34,412
Total, 1961-65	21,362

**"HOT SPOT" DEATHS, FISCAL YEARS 1961-65**

	Enemy action	Accident, disease, etc.
Southeast Asia	<sup>1</sup> 632	321
Dominican Republic	14	(2)
Panama	4	(3)
Cuba	1	(3)
South Korea	12	(2)
Total	663	321

<sup>1</sup> Deaths due to hostile forces.

<sup>2</sup> Not available.

Deaths in Vietnam and Dominican Republic from Jan. 1, 1962, to Aug. 16, 1965<sup>1</sup>

VIETNAM

	Killed and died	Age		General	E-9 Colonel	E-8 Colonel	E-7 Lieutenant Colonel	E-6 Major	E-5 Captain	E-4 1st Lieutenant	E-3 2d Lieutenant	E-2 Warrant officer	E-1	Widows	Children	Parents	
		Range	Average													1	2
Army	470	18-52	29.3													126	232
Navy	57	18-49	27.3													16	37
Air Force	140	18-48	23.2													16	83
Total	663	18-52														157	352

DOMINICAN REPUBLIC

	Killed and died	Age		General	E-9 Colonel	E-8 Colonel	E-7 Lieutenant Colonel	E-6 Major	E-5 Captain	E-4 1st Lieutenant	E-3 2d Lieutenant	E-2 Warrant officer	E-1	Widows	Children	Parents	
		Range	Average													1	2
Army	23	18-52	29.3														
Navy	2	24	24														
Air Force	9	18-34	20.9														
Total	34	18-52															
Grand total	807	18-52	28.5														

<sup>1</sup> Includes 9 servicemen who died or were killed in Laos and 22 in Thailand.

<sup>2</sup> Includes Dominican Republic.

<sup>3</sup> Includes 31 people in Laos and Thailand.

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Mr. EVERETT. We will now be happy to hear from our esteemed colleague, Congressman Roberts.

**STATEMENT OF HON. RAY ROBERTS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Mr. ROBERTS. Mr. Chairman and distinguished members of the committee. It gives me great pleasure to appear before you today to speak in favor of H.R. 10399. This bill is very similar to S. 2127 which has already passed the Senate.

This bill is designed to afford our servicemen in Vietnam and elsewhere in Asia who fight and die for their country and for the cause of freedom the peace of mind of knowing that their loved ones back home will be provided some measure of security in the event of their death.

The bill provides that the \$10,000 shall be reduced by the amount of U.S. Government life insurance, national service life insurance, or commercial life insurance held by the insured and in force at the time of his death.

The insured may designate the beneficiary from among the classes named in subsection (a) of section 652, and may be to the surviving spouse, children, parents, or brothers and sisters of the insured, the payment shall be to the first eligible beneficiary among the classes and in the order so given. The money shall be paid in a lump sum.

When requested, waiver of premium will be granted on any policy of national service life insurance or U.S. Government life insurance for periods during which such serviceman is in a combat zone and for 120 days thereafter. Any such waiver shall render the insurance nonparticipating while the waiver is in effect.

This proposed program is very similar to the program of servicemen's indemnity which was authorized in 1951 by Public Law 23, 82d Congress. There is an urgent need for more adequate insurance protection for our soldiers serving in southeast Asia under conditions of war.

The existing VA programs simply do not adequately serve the needs of our servicemen, nor is the void being filled by private commercial insurance companies. With the extension of the hostilities in Vietnam, more and more companies will not write insurance on a serviceman already in a combat zone or who is alerted to move to one, or they will write such insurance only with a war exclusion clause.

Because of the many unknown factors involved, any estimate of the cost must be based on a number of assumptions. If we assume, for example, that the U.S. Armed Forces in combat zones are maintained at about 150,000, and that the mortality rate is 8 per 1,000, this will result in an annual cost of \$12 million (1,200 by \$10,000). This is, however, a most variable estimate.

I cannot state too strongly my own personal conviction as to the justness and necessity of this legislation. The fighting in southeast Asia is not going to cease tomorrow. The Communists daily make known their plans for the eventual domination of that area—if not the entire world.

Already more than 625 American boys have given their lives fighting for the idea of self-government in South Vietnam. We must not fail to demonstrate to all our belief that freedom shall be won.

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The passage of this bill will once again show our fighting men that the Nation has not forgotten them. We must give them the knowledge that in the event of their death, their families will be provided at least this small measure of security.

I sincerely hope that upon close study this committee will give this bill a favorable report.

Mr. EVERETT. Thank you, Mr. Roberts for a fine statement in support of your bill H.R. 10399. The committee will be glad to have the benefit of your remarks.

Mr. ROBERTS. Thank you, Mr. Chairman.

Mr. EVERETT. We will now be happy to hear from Congressman Carter.

Would you mind filing your statement for the record and kind of hitting the highlights of it? I don't want to rush you. If you can tell us the highlights of your proposal we will certainly be happy to hear you at this time.

STATEMENT OF HON. TIM LEE CARTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KENTUCKY

Mr. CARTER. Thank you, Mr. Chairman and members of the committee. I appreciate very much the opportunity you have given me to appear before your committee this morning to testify in support of my bill, H.R. 9725, to provide special indemnity insurance in the amount of \$10,000 for members of our Armed Forces serving in combat zones.

My bill would provide that any person on active duty with the Armed Forces in a combat zone would be automatically insured by the United States without cost to such person against death in the principal amount of \$10,000. It would also provide that any such person would be insured if he died as the direct result of an injury or disease incurred while serving in a combat zone 2 years prior to his death.

The indemnity would be payable in 120 equal monthly installments with interest at the rate of 2 1/4 percent per annum. This is the same kind of indemnity insurance we provided servicemen of the Korean conflict.

I introduced this measure specifically to provide protection to the dependents of members of our Armed Forces engaged in operations in Vietnam, in southeast Asia, and in the Dominican Republic. These servicemen, and some servicewomen, have engaged in fighting, defending our country against aggression which the Congress, has by resolutions, declared necessary to our national security.

Relatively few in number, compared to our population or to the total number of men in their age category, they are bearing the burden for all of us. So, to them, we owe assurance of some protection to their dependents, an assurance we have provided for those who fought in other wars.

Therefore, I feel that it is fitting and proper that we do as much for the families of our present day fighting forces, and I urge the committee to give speedy approval to this legislation.

Again, Mr. Chairman, let me thank you for the privilege accorded me to testify before your committee this morning in support of my bill. I appreciate very much your kindness and courtesy. I would

like to leave my statement with the clerk to be made a part of the hearings on this legislation.

Mr. EVERETT. Congressman Carter, what would you think about having a group insurance policy the same as we have on the civil service employees now for all members of the armed services? Your bill, as I understand it is just for the combat areas, is that right?

Mr. CARTER. Yes, sir, that is true.

Mr. EVERETT. What if a man was killed jumping out of a parachute at Fort Campbell, or something like that? Would he be covered under your bill?

Mr. CARTER. No, sir, he would not but I think he should be.

Mr. EVERETT. What about the man who is killed in a boat accident, say going over to the combat zone, or going to a combat zone in an airplane that explodes or something like that? Would he be covered under your bill?

Mr. CARTER. Not under this but I think he should be. There is a bill which has been introduced to that effect. In fact, I think the Senate bill includes part of that, not all of it.

Mr. EVERETT. Doctor, we are certainly happy to have you. Mr. Secrest, do you have any questions?

Mr. SECREST. No questions.

Mr. EVERETT. Mr. Ellsworth?

Mr. ELLSWORTH. No, sir. I think it is outstanding for the doctor to come up and make this excellent suggestion.

Mr. EVERETT. Mr. Fino, we will be glad to hear from you now.

#### STATEMENT OF HON. PAUL A. FINO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. FINO. Thank you, Mr. Chairman, and my colleagues on the Veterans' Affairs Committee.

Mr. EVERETT. I might say Mr. Fino is an outstanding member of this committee. We are certainly happy to have you participate in the hearings this morning.

Mr. FINO. It is a pleasure to be on this side of the rostrum.

Mr. Chairman and my colleagues, I appreciate and welcome this opportunity to testify here this morning in support of my bill H.R. 4379, which provides free insurance protection for members of the Armed Forces serving outside the United States.

I have long considered it unfair that servicemen no longer receive \$10,000 in free insurance. I have long felt that the nature of the cold war has been such that we could not properly say that the conditions of military service are peacetime.

For some time, the frequency of our "peacekeeping" missions throughout the world and the constant threat to our troops stationed overseas have made the lack of free insurance for our overseas servicemen quite unjustifiable.

Today, in the light of the situation in Vietnam, it is absurd to say that we have not returned to wartime conditions. It is absurd to say that we do not owe the men fighting in Vietnam the free insurance we would give to wartime soldiers. As far as I am concerned, the Vietnamese crisis has made this legislation a "must." I cannot conceive of this committee denying our combat troops in Vietnam the \$10,000 free insurance granted to servicemen in wartime.



I strongly urge my bill, H.R. 4379, be favorably reported at the earliest possible date, so that our servicemen in Vietnam may have the benefit of this insurance coverage. This bill provides, of course, for insurance coverage for all servicemen overseas, not just those in Vietnam, but obviously its primary purpose and effect would be to make insurance available to those actually in the war zone in southeast Asia.

Mr. EVERETT. Mr. Fino, it does not cover a training accident at Fort Benning or Fort Campbell or Fort Hood?

Mr. FINO. It only covers those servicemen that are outside the country.

Mr. EVERETT. The continental United States?

Mr. FINO. That is right.

Mr. EVERETT. A plane carrying a group over to Vietnam which crashed would be covered?

Mr. FINO. Once it is outside the continental United States.

I urge my colleagues on this committee to report this bill favorably with all speed, so that our servicemen in the war area will have not only the morale boost of knowing that we on the home front care, but so that they will also have the knowledge that this insurance exists to aid their families just in case something happens. It seems a small enough thing for us to do.

I just want to make mention at this point that in 1956 I appointed a young boy in my district to West Point. He was graduated in 1960. He was assigned all over the country and he was in Germany. Last month he was called in Vietnam. The family has nothing. They spoke to me about this insurance. Of course, the loss of their son was the most tragic thing. Yet, they have nothing to sort of comfort them in this moment of sorrow.

Mr. EVERETT. Mr. Fino, does he have a family?

Mr. FINO. He wasn't married. He has a father, mother, and younger sister, a 26-year-old boy.

So again, my thanks to this committee for allowing me this opportunity to be heard on this bill.

Mr. EVERETT. Thank you. We are certainly happy to have you, Mr. Fino.

Mr. SECREST?

Mr. SECREST. I want to say there has been no more valuable member of this committee and no one who on all veterans' legislation has been more ardent in support of veterans than Congressman Fino.

Mr. EVERETT. Mr. Ellsworth?

Mr. ELLSWORTH. That is right. Of course, everybody knows that Congressman Fino is one of the most forthright, effective, and persuasive Members of this body.

You would not have any great objection, would you, to expanding and extending the coverage of your bill so that it would cover, for example, perhaps, let us say, a group of soldiers that takes off on a nonstop flight in one of these transcontinental jets from Fort Riley, Kans., bound for the war zone and just before they get out of the continental limits they have some kind of horrible accident?

Under your bill I understand they would not be covered should they be killed.

Mr. FINO. I would say under the technical and strict construction of the bill, they would not be covered, but I think a liberal

construction would indicate that they are in service on their way to Vietnam and they should be covered. I would support such an amendment.

Mr. ELLSWORTH. You would support the committee making that clear?

Mr. FINO. I certainly would.

Mr. SECREST. This committee has given considerable thought and study, but has arrived at no definite conclusion, to providing some sort of insurance that would cover everyone in the armed services today. We are thinking in terms possibly of covering those in combat zones with a strict Government indemnity of \$10,000 or whatever figure, and the others with something similar to the civil service insurance where the serviceman, himself, might contribute part and the Government part, but everyone would be included.

There are, of course, people going to Vietnam and coming back all the time. There are people who have stayed over there 2 years and come back and be killed the first day in an automobile accident down the road. So these are things we are thinking of in terms of getting a general bill to cover everyone. No matter where they are, they are still covered.

Mr. FINO. I see.

Mr. EVERETT. Thank you, Mr. Fino. We will now hear from Congressman Daniels. Mr. Daniels, go right ahead.

**STATEMENT OF HON. DOMINICK V. DANIELS, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. DANIELS. Mr. Chairman, I am very happy that you have invited me to come before you to speak in support of my bill, H.R. 6161, which would provide free insurance protection for members of the Armed Forces serving outside of the United States, and in addition, would provide wartime rates of compensation for veterans disabled as a result of injury or disease incurred as a result of overseas service.

When I introduced this bill, H.R. 6161, on March 11, 1965, I had given much thought to the possibility of greater U.S. involvement in the Vietnamese crisis. Since that time, what was then a possibility has now occurred. Americans have taken their place alongside our South Vietnamese allies. No longer is our role merely that of advisers to the South Vietnamese Army.

Mr. Chairman, I commend you and the members of this great committee for your promptness and dispatch in taking action to protect our fighting men and their families from what we know too well to be the inevitable result of armed conflict. In all military actions, there are casualties, and it is up to the Congress to carry out the policy described by Abraham Lincoln in his second inaugural address who said that the U.S. Government has an obligation to care for "him who shall have borne the battle and for his widow and children."

This committee has always done its duty for the veterans of all wars and I know that you shall continue your struggle to aid the cause of the veteran.

Mr. Chairman, in conclusion, I have seen pictures of the "new breed" in South Vietnam and these young men, some very young, are carrying on the traditions of Bunker Hill, Gettysburg, San Juan Hill, Vimy Ridge, Guadalcanal and Heartbreak Ridge.

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When General MacArthur addressed the joint session of the Congress in 1951, he said, "I have just left your fighting sons in Korea and I can tell you that they are splendid in every way."

Now, Mr. Chairman, we have a new generation of young Americans and they too are splendid in every way. It is up to us in the Congress to insure them that they can go forward to battle with the forces of international communism safe in the knowledge that their loved ones will receive at least a minimum of financial security and that if disabled they will receive something more than peacetime compensation for their wounds or illness. Mr. Chairman, we owe these fine young Americans at least this much.

Mr. EVERETT. Thank you, Mr. Daniels. Are there any other Members of Congress in the audience? Now we will hear from Mr. Rood, representing the American Life Convention and the Life Insurance Association of America and Life Insurers Conference.

Mr. Rood, we are sorry Mr. Adair could not be here today. I think he has explained to you the reason for his being absent from the meeting today, has he not?

**STATEMENT OF HENRY F. ROOD ON BEHALF OF THE AMERICAN LIFE CONVENTION, THE LIFE INSURANCE ASSOCIATION OF AMERICA, AND THE LIFE INSURERS CONFERENCE; ACCOMPANIED BY EDWARD A. LEW, ACTUARY AND STATISTICIAN, METROPOLITAN LIFE INSURANCE CO., NEW YORK CITY**

Mr. Rood. Yes, he has.

Mr. EVERETT. Mr. Rood, we want to move ahead. We are not trying to rush you but if you would just file your statement and kind of hit the highlights of it we would appreciate it.

Mr. Rood. First, let me say, Mr. Ed Lew, of the Metropolitan Life Insurance Co., is with me. We are speaking on behalf of the three associations, the Life Insurance Conference, the Life Insurance Association of America, and the American Life Convention which represent about 94 percent of the life insurance in force in the United States.

We very much appreciate this opportunity to appear before you. Your committee has done an outstanding job in handling these benefits and I want to compliment you on your statesmanship, particularly in the handling of Public Law 881, which as you know, provides very substantial benefits to the survivors of servicemen.

We received some figures which indicate that Public Law 881, the average commuted value at death, taking into account, interest, mortality, and remarriage factors—is in excess of \$24,000, including those who do not leave any qualified survivors. For most enlisted men, this is a value running from \$20,000 to \$30,000, and for widows of officers, it runs as high as \$73,000.

Looking at this a different way, if we take a widow, age 25, of a sergeant, with two children, ages 1 and 3, who lives out her expectation of life, this is without any commutation factors, we find that the Veterans' Administration under current legislation would pay her an amount of about \$100,000 and this would be augmented by social security of perhaps \$58,000, making a total of about \$158,000. We think this is a very substantial benefit and certainly far more than the average civilian in a pay class similar to a sergeant would carry.

One of the questions that is currently being raised because of the international situation are whether a serviceman can secure life insurance from a private company.

Mr. EVERETT. What is the situation today, Mr. Rood?

Mr. ROOD. The situation is this: we have surveyed the member companies of our organization and about 10 percent of them indicate they would still issue life insurance to people who have been alerted to combat duty.

Mr. EVERETT. In an excessive amount or normal amount?

Mr. ROOD. In normal amounts. One company said they would go up to \$40,000 on officers and \$10,000 on enlisted men. But there is insurance available. Some of these are the very large companies. Three of the four largest companies will continue to insure servicemen who are alerted. Every company we know of will insure servicemen not alerted for combat duty and that insurance would stay in force even though they are sent to Vietnam.

So, in general, a man who is in service can buy insurance if he has not been alerted. To issue insurance for a man alerted for duty in Vietnam is a little bit like issuing insurance to a man on his way to the hospital. I think you understand the reasons why many of the companies feel they cannot do this. It would not be fair to their other policyholders to underwrite a substantial amount of that risk.

Another question which has been raised is the point that the last speaker mentioned, namely, some of the parents do not receive benefits because of the dependency test.

The second point is that perhaps the beneficiary qualifications are too restricted in that there may be dependent brothers or sisters who do not receive benefits under Public Law 881.

Looking at the presently pending bills, we feel that there are several points which should be considered. We think that any new program should meet the needs of the servicemen and their survivors. It should provide equitable treatment for all servicemen and provide a stable and permanent solution.

We believe that the group plan proposed under H.R. 10873 meets these tests, whereas the gratuitous indemnity approach of S. 2127 does not.

In our opinion a gratuitous indemnity program is objectionable for several reasons: First, although it does provide protection for those who may find it difficult to obtain private insurance because of combat duty, it is inflexible and unrelated to the needs of the survivors.

Second, it draws a sharp distinction between those in a combat zone and those not. Such a distinction is unfair.

Third, such a program is not permanent in nature. It comes into operation only whenever it is concluded that we are in combat.

Finally, as already evidenced by S. 2127, such a program seems inevitably to lead to conversion to Government insurance upon separation even though the serviceman is in good health and can readily obtain private insurance. Such a result, we believe, is wholly unjustified.

It appeared from the questions you raised with the previous witness that you are concerned with the question of the man who is killed in this country. I think the statistics of the Defense Department indicate that there have been about 500 servicemen killed in aviation accidents each year for the last 10 or 15 years. We think those men

should be protected just as much as the 400 men who have been killed to date this year in Vietnam. We think the relative numbers are nearly the same.

The group insurance approach, on the other hand, meets the above-mentioned tests. First, it would satisfy the needs of servicemen who may have difficulty in obtaining private insurance because of combat assignment and provide flexibility as to amount of coverage.

Also, it would make available benefits to parents who are classed as dependents under Public Law 881 and permit servicemen to designate beneficiaries not eligible under that act, such as brothers and sisters.

Second, it would provide equitable treatment for all servicemen, with insurance available to all but with the Government paying the cost of extra hazards of active duty in the uniformed service.

Third, it would be a permanent program applicable regardless of the existence or absence of combat situations.

Finally, we might point out that this group plan would make available to members of the uniformed services insurance benefits comparable to those which have long been available to Federal civilian employees as well as to employees of other large employers.

We want to assure the committee that, in our opinion, a plan of this type would be workable. Although we have not surveyed our membership with respect to participation, a number of companies have already informed us they would be willing to cooperate in such a program.

I might say it is a sufficient number so that we could take care of the coverage. It seems reasonable to expect that the participation here would be somewhat in the order of that under FEGLI where some 270 life insurance companies have a share in the program.

Before closing, I would like to mention several matters which are rather technical in nature. In general, we think H.R. 10873 is very well drafted and would require little change. There are three points, however, which we consider important for your consideration.

First, the new section 766(c) is open to the construction that any life insurance company may elect to be a reinsurer. It would seem that in the interest of sound operation and administrative feasibility the statute should provide for the establishment of some reasonable standards for qualification and extent of participation.

Second, the new section 768 provides that upon separation from active duty the serviceman may replace his group insurance with private insurance obtained without medical examination from any one of the companies participating in the program. This conversion feature might be expanded to include other companies electing to register for that purpose.

Mr. EVERETT. What do you mean by that? In other words, a man who has this policy and the policy is with a certain company, can elect any company he wants to convert this policy to?

Mr. ROOD. The companies that will probably sign up to cover the group insurance we expect will be the companies that specialize in group insurance. There are some very good companies that do not write group insurance. They might want to take a part of this conversion program. We think if they want to, they should be permitted to do so.

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Mr. EVERETT. That would leave it up to the individual. In other words, if he has a policy with a certain company and if he wanted to get a policy, say with National Life in Tennessee, or Life of Georgia in Georgia, he could convert to that company.

Mr. ROOD. That is right. Even though the company did not participate in the group program, he could convert to that company if it chose to grant such a privilege.

Third, the provisions of the bill as to payment of premiums under the group policy need careful examination. The new section 769 dealing with contributions traceable to extra hazards should be integrated carefully with those of section 771.

Furthermore, section 769 should clearly spell out that monthly contributions thereunder with respect to extra hazards are determined as approximations and are subject to retroactive adjustment upon the periodic examination of excess mortality.

We think some of the smaller companies that want to get in the plan might not want to wait until the end of the year for adjustments to the extra amount which the Government might want to pay for service-connected death. We think it should be clarified so that there is no question that this will be handled monthly for the benefit of those smaller companies.

Thank you for this opportunity to express our views. The staffs of the associations, as well as the personnel of member companies, will be pleased to give this committee and its staff any additional information or assistance you may desire.

Mr. EVERETT. Thank you. That is a fine statement.

One question I want to ask you. Just using the figure of \$10,000, costing \$2.50 a month, if we should see fit to raise that to \$20,000, would it be \$5 or would it be \$4 or in proportion would the premium be doubled, or would the rate be cheaper on \$20,000 per thousand dollars?

Mr. ROOD. No, sir. That rate contemplates a very small margin for expenses and it would be my opinion that it would be proportional. It would be double if you doubled the amount.

I might say in connection with the amount of insurance that an obvious question which I am sure has arisen in your committee would be the question whether if \$10,000 was the right amount in World Wars I and II, it should not be greater today in view of the inflationary increases in the cost of living.

You will remember that in World War I there was no other coverage except the Government insurance. In World War II, generally, there were not other benefits except that social security was available for those who had adequate coverage. Today with Public Law 881 and with the social security benefits payable to all servicemen's dependents, I think you have a very different situation. You have very substantial amounts of coverage provided that were not available in the last two World War situations.

Mr. EVERETT. Does your experience in group policies indicate that if we should make the maximum \$20,000 rather than \$10,000, that the serviceman would tend to drop it and not take any? What do you think about that? What has been your experience in the group policies you have written in the past?

Mr. ROOD. In normal group insurance the amounts of insurance are usually graded to the income of the individual. So that a man in

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a higher salary bracket would get \$20,000, a man in a lower salary bracket might get \$2,000 or \$3,000. Since they are related to income, the chances of conversion are about the same for the larger amounts as smaller amounts. They might be greater because the men in the large income brackets could better afford to convert.

I should think if you had \$20,000 for all, some men in the lower grades would not be able to afford that large amount.

Mr. EVERETT. Of course, I realize under the bill we have introduced in this committee, that I, as chairman of the subcommittee, have introduced, makes it mandatory to put it in writing if they do not want insurance.

Do you think a lot of servicemen would back out and sign up that they did not want insurance if you had the \$20,000 rather than \$10,000?

Mr. ROOD. If they thought they had to take \$20,000 or nothing, I think many of them would. But given the opportunity to take a lower amount, I think many would take \$10,000 rather than \$20,000. Some men who were orphans and had no dependents would not take any insurance because they would feel they had no need for it.

Mr. EVERETT. Thank you, sir. We appreciate your being with us. Mr. SECRET.

Mr. SECRET. No questions.

Mr. EVERETT. Mr. Ellsworth?

Mr. ELLSWORTH. I want to say, Mr. Rood, how much we appreciate your management and leadership and that of the organizations you represent in coming up and testifying as you have before the committee this morning.

I think, Mr. Chairman, the organizations he speaks for have made an outstanding contribution to this problem which we have before us.

Mr. EVERETT. I want to concur in what you have said. As you know, at the meetings we have had all along the line in the past 5 or 6 weeks they have been most cooperative and helpful.

Mr. SECRET. I would like to ask one question. If under a group policy you insure 2 million at \$10,000 each, is the rate cheaper than if you insured 1 million at \$10,000?

Mr. ROOD. No, sir, the rate would be the same.

Mr. SECRET. No matter how many is in the group, the rate is the same?

Mr. ROOD. In normal practice we require a certain percentage to be covered in order to avoid selection. I would say in a group of this size the rate would be the same and we would not be concerned about the percentage that was covered.

Mr. EVERETT. Thank you, Mr. Rood. We certainly appreciate again the work you have done on this matter for us.

Mr. ROOD. Thank you, sir.

(Statement referred to follows:)

STATEMENT ON H.R. 10873, S. 2127, AND RELATED BILLS BY AMERICAN LIFE CONVENTION, LIFE INSURANCE ASSOCIATION OF AMERICA, AND LIFE INSURERS CONFERENCE, PRESENTED BY HENRY F. ROOD

My name is Henry F. Rood. I am president of the Lincoln National Life Insurance Co., Fort Wayne, Ind. I appear today on behalf of the American Life Convention, the Life Insurance Association of America, and the Life Insurers Conference, three associations with an aggregate membership of 380 life insurance companies which have in force over 94 percent of the legal reserve life insurance, including 93 percent of the group life insurance, written in the United States.

Appearing with me is Mr. Edward A. Low, actuary and statistician of the Metropolitan Life Insurance Co., New York City.

We appreciate this opportunity to express our views on H.R. 10873 and S. 2127, and related legislative proposals. We understand the concern of the Congress for the security of wives, children, parents, and other dependents of servicemen who die in the service of their country. We agree that it is timely for Congress to review what may be necessary for this purpose. We have studied the proposed group insurance mechanism provided in H.R. 10873, and believe it represents an appropriate and workable approach. On the other hand, we think that the proposal for gratuitous indemnity in S. 2127 is neither appropriate nor desirable.

#### HISTORY OF MILITARY SURVIVOR BENEFITS PROGRAMS

Since 1917 the Federal Government has made some provision for the protection and security of the survivors of servicemen. We need not review with this committee the details of U.S. Government life insurance, national service life insurance, the gratuitous indemnity approach of 1951, or the dependency and indemnity compensation benefits provided since 1957 under Public Law 881. As you well know, however, Public Law 881 was developed after long and careful study, and in our opinion it was well directed toward the basic problem. In essence, that statute merged the previously existing programs of dependency compensation and gratuitous indemnity, emphasizing dependency compensation related to need. Also, that statute provides rather substantial benefits. A recent study indicates that under Public Law 881 the average commuted value at death (taking into account interest, mortality, and remarriage) is \$24,064, including those who do not leave qualified survivors. For the widows of most enlisted men, the commuted values are of the magnitude of \$20,000 to \$30,000, and for widows of officers they range as high as \$73,000. These figures do not include substantial allowances payable under the social security system, which in some cases may have the effect of doubling the figures above.

#### QUESTIONS CURRENTLY BEING RAISED

As a result of recent international developments, however, several questions are currently being raised concerning the adequacy of available military survivor benefits. A related question frequently asked is the extent to which private life insurance is available to members of the uniformed services. I would like to outline the situation in that regard before going on to a discussion of the pending bills.

Members of the uniformed services not assigned to combat areas can today readily obtain insurance without a war exclusion clause from private life insurance companies. This coverage will continue in force after the individual moves to a combat zone. Recently, however, because of the conditions in Vietnam, a majority of the life insurance companies have concluded that they will no longer write insurance on a serviceman already in a combat zone or alerted to move to one, or will write such insurance only with a war exclusion clause.

We assume that the reasons for a company to discontinue writing are fully understood. The hazards confronting some military personnel are very great but difficult to measure, so that appropriate extra premiums cannot be determined. It may be unfair to other policyholders to assume such very great risks at regular premiums. The seriousness of this problem will of course vary with the size of the company and the number of combat risks applying for insurance. It is clear, however, that there are sound and equitable reasons for a decision to decline applications of personnel already committed to a combat zone or to include a war clause in such instances.

It is notable, however, that the practices of the companies are not uniform. The best information we have, based on a recent survey of our member companies, indicates that about 10 percent of them, including some of the largest, are still writing life insurance policies without a war exclusion clause on servicemen alerted for combat duty.

Questions are also presently being raised concerning the adequacy of the benefit structure of Public Law 881. One point sometimes mentioned is that under the eligibility tests of that act some parents receive no benefits whatever because they are classed as nondependent. A second point is that the present classes of beneficiaries under that act may be too restricted, with the result that a number of servicemen die without any benefits flowing to individuals who may reasonably have looked to them for assistance—for example, minor brothers and sisters.



#### THE PENDING BILLS

If Congress decides to provide some additional protection for servicemen—whether because of concern about the availability of private life insurance to those in a combat zone or because of questions about the adequacy of the present benefit structure—we would urge that certain principles be recognized. Any such new program should meet the needs of the servicemen and their survivors, provide equitable treatment for all servicemen, and provide a stable and permanent solution. We believe that the group insurance plan of H.R. 10873 meets these tests, whereas the gratuitous indemnity approach of S. 2127 does not.

In our opinion the gratuitous indemnity program is objectionable for several reasons. First, although it does provide protection for those who may find it difficult to obtain private insurance because of combat duty, it is inflexible and unrelated to the needs of survivors. Second, it draws a sharp distinction between those in a combat zone and those not. Such a distinction is unfair. Third, such a program is not permanent in nature, but comes into operation whenever it is concluded that we are in combat. Finally, as already evidenced by S. 2127, such a program seems inevitably to lead to conversion to Government insurance upon separation, even though the serviceman is in good health and can readily obtain private insurance. Such a result is, we believe, wholly unjustified.

The group insurance approach, on the other hand, meets the above-mentioned tests. First it would satisfy the needs of servicemen who may have difficulty in obtaining private insurance because of combat assignment, and provide flexibility as to amounts of coverage. Also, it would make available benefits to parents who are classed as nondependent under Public Law 881, and permit servicemen to designate beneficiaries not eligible under that act, such as brothers and sisters. Second, it would provide equitable treatment for all servicemen, with insurance available to all, but with the Government paying the costs of the extra hazards of active duty in the uniformed services. Third, it would be a permanent program, applicable regardless of the existence or absence of combat situations. Finally, we might point out that this group plan would make available to members of the uniformed services insurance benefits comparable to those which have long been available to Federal civilian employees, as well as to employees of large employers.

We want to assure the committee that in our opinion a group plan of this type would be workable. Although we have not surveyed our membership with respect to participation, a number of companies have already informed us that they would be willing to cooperate in such a program. It seems reasonable to expect that the participation here would be somewhat in the order of that under FEGLI, where some 270 life insurance companies have a share in the program.

Before closing, I would like to mention several matters which are rather technical in nature. In general, we think that H.R. 10873 is very well drafted and would require little change. There are three points, however, which we consider important for your consideration.

First, the new section 766(c) is open to the construction that any life insurance company may elect to be a reinsurer. It would seem that in the interests of sound operation and administrative feasibility the statute should provide for the establishment of some reasonable standards for qualification and extent of participation.

Second, new section 768 provides that upon separation from active duty the serviceman may replace his group insurance with private insurance obtained without medical examination from anyone of the companies participating in the program. This conversion feature might be expanded to include other companies electing to register for that purpose.

Third, the provisions of the bill as to payment of premiums under the group policy need careful examination. The new section 769 dealing with contributions traceable to extra hazards should be integrated carefully with those of section 771. Furthermore, section 769 should clearly spell out that monthly contributions thereunder with respect to extra hazards are determined as approximations and are subject to retroactive adjustment upon the periodic examination of excess mortality.

Thank you for this opportunity to express our views. The staffs of the associations, as well as the personnel of member companies, will be pleased to give this committee and its staff any additional information or assistance you may desire.

Mr. EVERETT. Mr. Hansen is in the audience. Come forward Mr. Hansen, we will be happy to hear from you.

As I have said, Mr. Hansen, we are not trying to cut you off in time but if you have a statement we will be happy to have you file it and hit the highlights of your statement in order to conserve time.

Every time you read a paper you do not know whether we will be here until Halloween or Columbus Day or whether we will be here until Thanksgiving. So we do want to move ahead on this matter.

Mr. HANSEN. I will treat this matter with dispatch because I am in just as big a hurry as you are.

Mr. EVERETT. Thank you, sir.

**STATEMENT OF HON. JOHN R. HANSEN, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF IOWA**

Mr. HANSEN. I want to thank you for the privilege of appearing before your committee on this matter this morning.

First, I want to ask your permission to have made as a part of the record a statement which I mailed to the chairman of the full committee, the Honorable Olin Teague, which in the main encompassed a typical message from a constituent outlining a family problem.

Mr. EVERETT. Without objection, that will be made a part of the record at this point.

(Document referred to follows:)

HOUSE OF REPRESENTATIVES,  
Washington, D.C., August 30, 1965.

Hon. OLIN E. TEAGUE,  
Chairman, Veterans' Affairs Committee,  
Cannon House Office Building, Washington, D.C.

DEAR CHAIRMAN TEAGUE: In accordance with your request that I send over to your committee a statement on H.R. 10630, which deals with a special indemnity for the survivors of servicemen who are killed or die as a result of injuries suffered in a combat zone, I am sending the enclosed statement.

If this is not to be considered by your full committee in its hearings this week, I hope you will refer it to the proper subcommittee for consideration.

Thank you very much for your assistance.

Sincerely,

JOHN R. HANSEN,  
Member of Congress.

**STATEMENT OF HON. JOHN R. HANSEN, A REPRESENTATIVE IN CONGRESS FROM  
THE STATE OF IOWA**

I appreciate very much the willingness of Chairman Teague to permit me to testify on H.R. 10630. I introduced this measure which provides for special indemnity insurance for the survivors of servicemen who are killed or who die as a result of injuries suffered in a combat zone.

While I am aware that the whole matter of insurance coverage was given a long study by the committee and it was concluded that a compensation program would be more feasible than an insurance program, I still feel that proper consideration should be given to the peculiar problem that our young men in combat now face.

I have been informed that some companies have included a military service exclusion in their policies and according to the office of the Iowa insurance commissioner, the number who are planning to add such an exclusion is growing at an increasing rate. What this means in an individual situation is well demonstrated in the attached letter from a friend of mine who has outlined what it means to his son.

It is apparent that our growing involvement in world affairs is going to include more frequent requests for assistance to nations that are threatened by a Communist takeover.

If our servicemen are to serve at their peak performance, they cannot be hampered with a nagging concern for their families' financial security in case of their death. I feel that with the hazardous duties given these men and the fact that some insurance companies have an exclusion clause in their policies, it is imperative that we should do everything possible to remove a heavy mental strain now being imposed on these men.

At the present time we are moving toward the commitment of 100,000 troops in Vietnam. These men are being called upon to place their lives on the line in the fight for freedom. I do not think it is too much to ask us to assure these men that in the event of their death, the families which they leave behind will at least be provided with a small amount of security.

It may be that the members of this committee will find a better solution to this problem than my bill proposes, such as requiring insurance companies to remove their exclusion clause from their policies. Whatever is done, I am deeply concerned that these young men will not be further penalized because they are giving a period of their lives to the service of their country.

AUGUST 26, 1965.

Hon. JOHN R. HANSEN,  
Member of Congress,  
Longworth Building,  
Washington, D.C.

DEAR CONGRESSMAN HANSEN: We are concerned about the life insurance of our only child, a son, age 20, Kenneth E. Glass II, who is now a member of the U.S. Marine Corps.

I have been advised by the Marine Corps enlistment officer that servicemen no longer have the opportunity to buy coverage which I believe was at one time known as GI insurance.

Our son is unmarried, and at this stage in life he is nearing that transition period when as a child he soon will cease to be a dependent—the tables are turning with the parents becoming closer to being the dependents of the new adult.

For the record we want you to know that we sincerely appreciate the interest you have shown as a Member of Congress in this matter. This shows us that you have the keen interest of all the people at heart, as you seek ways to obtain passage of corrective legislation designed to serve the best interest of our citizenry and our Government.

Last night, I closely reviewed our son's life insurance policies to determine the exclusions which now apply because of his enlistment in the Marines. I am hopeful that the following facts will be of value to the committee taking a new look at the matter of insurance for members of the Armed Forces. My findings are:

1. A \$10,000 policy written by the American Casualty Co., of Reading, Pa., states, "coverage is excluded by war or act of war, or accident while the insured person is in the military, naval, or air service."

2. A \$10,000 policy written by the American Health & Life Insurance Co., of Baltimore, Md. They term their policy the "American College Plan," which is a term policy convertible to a whole life policy (after 5 years). This policy carries a brochure stating "the insured has armed services protection since no GI insurance is available." The catch is this. The term policy is subject to cancellation, and they require the completion of an annual questionnaire. Since the policy is up for renewal on September 6, and the fact has been reported that the insured is a member of the Marine Corps, I question if the renewal will be accepted.

3. A \$500 policy taken as an infant with the Prudential Insurance Co. of America, carries an exclusion while the insured is a member of the military, naval, or air forces of any country at war, declared or undeclared.

4. A \$1,000 policy with the Prudential Insurance Co. of America, is a 20-year pay life policy (now paid up) and it apparently contains no war risk exclusion. This policy was taken out in 1947, shortly after the close of World War II.

Congressman Hansen, it is easy to see that our insurance coverage is shrinking because of our son's interest in serving and defending our country.

And while we all recognize that no amount of insurance is ever sufficient to compensate for the loss of life under any circumstances we believe that parents and/or future dependents are entitled to have coverage for one serving the Armed Forces, either at home or abroad.

Your cooperation and assistance in pressing for legislation which will provide insurance coverage of American sons and daughters serving our country is appreciated, not only by us, but by tens of thousands of moms, dads, and wives of service personnel.

Sincerely,

KENNETH E. GLASS,  
West Des Moines, Iowa.

Mr. HANSEN. Following that, I would like to ask permission to revise and extend my remarks that are being made this morning. (Which, in essence, adds to what the letter from the constituent covers.)

Mr. EVERETT. Without objection, it is so ordered.

Mr. HANSEN. A friend of mine who is in the Insurance Department in the State of Iowa has outlined for me a trend which is taking place on an ever-increasing tempo. Insurance companies are filing or attaching a combat rider to the existing policies which they have with their insureds.

This points up my reason for having an interest in the Senate-passed bill No. 2127 and a comparable bill which I introduced several weeks ago, H.R. 10630.

Mr. EVERETT. What are the provisions of your bill?

Mr. HANSEN. This bill is merely an indemnity provision which does not call for any insurance contract at all. It is a direct indemnity payment in the event of death through combat, in combat, or within 2 years following combat as a result of injuries received in combat.

Mr. EVERETT. As a service-connected case.

Mr. HANSEN. That is right.

Mr. EVERETT. What about a training accident in Fort Riley or Fort Leavenworth or Fort Benning?

Mr. HANSEN. That is not provided for in this measure.

Mr. EVERETT. Have you had a chance to look over the bill that the committee has introduced?

Mr. HANSEN. No, I have not. Basically, what this measure is intended to do is to take up where life insurance, old line life insurance, regular contract policies, leave off. A fellow who is in Fort Benning, for instance, is not in the combat zone. So the rider that is applied to his policy, as I understand the riders that are being written, would not be applicable.

So there would be no need for the indemnity insurance or payment to be made in a case of that kind on the part of the U.S. Government.

That will conclude my statement.

(Statement referred to follows:)

STATEMENT OF HON. JOHN R. HANSEN, A REPRESENTATIVE IN CONGRESS FROM  
THE STATE OF IOWA

Mr. HANSEN. Chairman Everett and members of the subcommittee, I am pleased to have this opportunity to present my views and testify on behalf of H.R. 10630, which I introduced, and similar bills concerning servicemen's insurance coverage.

I have previously sent a statement to Congressman Teague regarding my views in this matter. Today I wish to emphasize some of the points made in my communication and to bring new testimony to your attention.

While I am aware that the whole matter of insurance coverage was given a long study by the committee and it was concluded that a compensation program would be more feasible than an insurance program, I still feel that proper consideration should be given to the peculiar problem that our young men in combat now face.

This bill would provide special, cost-free, indemnity life insurance for members of the Armed Forces serving in areas designated as combat zones by the President. Our growing involvement in world affairs, and especially in southeast Asia at the present time, is requiring a parallel growth and commitment of U.S. servicemen. If these servicemen are to serve their country at their best, we must insure them peace of mind regarding the financial security of their family in the event of death. One of the basic ingredients of financial security is the vehicle of insurance. I am sure if we were to examine the portfolios of servicemen who have planned for their survivors financial security we would find the main basis to be life insurance. The vehicle of life insurance readily allows a person to create an estate of considerable size prior to his actually accumulating this estate. It allows a person to plan for life but also gives his survivors protection should he not live to earn this estate.

With the buildup in Vietnam, insurance companies have been reviewing their war and military exclusion clauses. The serviceman bound for Vietnam or with imminent assignment to that area finds it extremely difficult to secure insurance against hazards that he will face there. It is understandable that the companies do not care to underwrite the uncertainty that our young Americans will face in southeast Asia.

It is even more understandable that they are declining to underwrite the higher mortality experience of a Marine serving in Chu Lai than that mortality experience of the stateside civilian.

The effect of the war and military clause is well demonstrated in the letter I received from a friend of mine regarding his son's insurance. I am also submitting with this testimony a copy of a letter from Mr. David D. MacDonald, A.S.A., actuary of the Insurance Department of Iowa. His letter reflects an increasing trend for insurance companies to attach the war risk rider to their existing contracts.

Basically, as I see this situation, our commitment and involvement in Vietnam particularly has necessarily resulted in an increase in American servicemen serving in that area. Their transfer and imminent transfer to these areas are precluding them from planning and obtaining a very basic and important means of planning for their survivor's security. I believe H.R. 10630 will adequately insure this important means to the serviceman and merely picks up where the private segment of insurance leaves off.

INSURANCE DEPARTMENT OF IOWA,  
Des Moines, September 2, 1965.

Re military and war risk exclusion clauses.

Hon. JOHN R. HANSEN,  
Representative, Seventh District of Iowa,  
Longworth Building, Washington, D.C.

DEAR CONGRESSMAN HANSEN: Ken Glass has contacted me regarding your interest in the current activities of life insurance companies in connection with military and war risk exclusion clauses. He indicated that you would appreciate information pertaining to the domestic and foreign companies licensed to do business in Iowa.

As of August 31, 1965, the following is a breakdown on companies licensed in Iowa, and those having approved military and war risk exclusion clauses:

Type of company	Number licensed	Number having clause	Percent having clause
Domestic	27	5	18.5
Foreign	265	87	32.8
Total	292	92	31.5

To relate more current experience, 34 companies have had clauses approved since January 1, 1963. Presently three companies have filed clauses which are awaiting review for approval. It should be noted, however, that a majority of the clauses filed since January 1, 1963, are revisions of previously approved forms. These revisions are primarily in the area of a redefinition of home area to include the addition of Alaska and Hawaii to the United States, and to reflect

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the fact that the industry is presently operating under a new mortality table; namely, the 1958 CSO mortality table.

It is also interesting to note that companies filing clauses do not intend to currently use them; rather, it is their desire to have them on file in the event that future world conditions warrant their use.

As you may know, a military and war risk exclusion clause generally provides that if death occurs as a result of the hazards of war and the military (as defined in the clause), then the benefit payable is equal to the greater of the premiums paid or the reserve of the policy. (For informational purposes, I am enclosing a copy of an exclusion clause filed by one particular company. It should be noted that the form is that of one company and is not indicative of the format and language used by all companies who have a clause on file.)

While complete exclusion of risk is the most extreme position, companies are now generally using the approach of issuing only a limited amount of insurance (mostly \$5,000 to \$10,000) to those persons in the military, or those who are facing an impending draft situation. Since this approach encompasses underwriting rules rather than contractual language in a policy, it would be somewhat difficult to give explicit information regarding all companies without having the benefit of a survey conducted through the use of a questionnaire sent to all insurance companies.

If you have any questions or desire any further information, please let me know.

Very truly yours,

DAVID D. MACDONALD, A.S.A., *Actuary.*

RIDER MODIFYING CONTRACT DUE TO HAZARDS OF WAR

This rider is made a part of the contract to which it is attached and if the basic contract to which it is attached or any provision attached to and made a part of the contract contains a conversion option, this rider will be made a part of any contract issued as a result of the exercise of such option.

"Home area" as used in this rider means the 50 States of the United States, the District of Columbia, Panama Canal Zone, Virgin Islands, Puerto Rico, and Canada.

**Death benefit.**—No risk is assumed under this contract if the insured's death occurs:

1. While the insured is serving in the armed forces of any country or international organization, if (a) death is the direct result of war, whether war is declared or not, or any act of war or of international armed conflict; and (b) death occurs while the insured is outside the home area, or within 6 months after return to the home area or termination of such service, whichever is first; or

2. While the insured is serving in the armed forces of any country or international organization, if death results from travel or flight in, or descent from, any species of aircraft, and, during such travel, flight, or descent, the insured shall have aeronautical training or duties in connection with such travel, flight, or descent; or

3. While the insured, within 2 years from date of issue of this contract, is engaged outside the home area in a civilian noncombatant occupation requiring association with the armed forces of any country or international organization, if such occupation causes exposure to perils of war, whether war is declared or not, or any act of war or of international armed conflict, and if death is the direct result of such war, act of war, or of armed conflict, and death occurs outside the home area or within 6 months after the insured's return to the home area.

However, upon receipt of due proof of the death of the insured under the conditions stated in paragraph 1 or 2 or 3, above, the company will pay to the beneficiary, in lieu of the amounts provided in this contract, the reserve on the amount of insurance provided by this contract at the date of death, less any indebtedness to the company on or secured by this contract; provided, however, if this contract shall have been in force for not more than 2 years from date of issue, the company will pay a sum equal to the amount of gross premiums theretofore paid, less any indebtedness to the company on or secured by this contract, if such sum shall be greater than such reserve.

**Premium waiver.**—

1. The "provision for premium waiver in event of total disability," when made a part of this contract, is amended by adding the following new section immediately after the section entitled "Benefits":

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*Exclusion.*—No premium will be waived or refunded under this provision if total disability results, either directly or indirectly, from injury or disease incurred while serving in the armed forces of any country or international organization either at war, whether war is declared or not, or engaged in any act of war or of international armed conflict.

2. "The provision for premium waiver in event of death or total disability of the applicant," when made a part of this contract, is amended by adding the following new section immediately after the section entitled "Benefits":

*Exclusion.*—No premium will be waived or refunded under this provision if total disability or death results, either directly or indirectly, from injury or disease incurred while serving in the armed forces of any country or international organization either at war, whether war is declared or not, or engaged in any act of war or of international armed conflict.

This rider is made a part of this contract at its date of issue.

THE TRAVELERS INSURANCE CO.,

R. F. SWEET,

Secretary, Life Department.

Mr. EVERETT. Thank you a lot, Mr. Hansen.

Mr. SECREST?

Mr. SECREST. No questions.

Mr. EVERETT. Mr. Brown?

Mr. ELLSWORTH?

Mr. ELLSWORTH. We certainly appreciate your contribution today. We will certainly give it every consideration when we get into executive session.

Mr. HANSEN. Thank you.

Mr. EVERETT. We have Congressman Weltner from Georgia. We will appreciate it if you will file your statement for the record and you hit the high points.

STATEMENT OF HON. CHARLES L. WELTNER, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF GEORGIA

Mr. WELTNER. Thank you, Mr. Chairman. I will file a very brief statement for the record.

Mr. EVERETT. Without objection, it will be filed at this point in the record.

(Statement referred to follows:)

STATEMENT OF HON. CHARLES LONGSTREET WELTNER, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF GEORGIA

Mr. Chairman, I appreciate the opportunity to appear here today on behalf of H. R. 10286, which I introduced on August 4. This bill would amend title 38 of the United States Code to provide special indemnity insurance for members of the Armed Forces serving in combat zones.

The bill would be retroactive to January 1, 1962. Since then, approximately 600 American fighting men have died in Vietnam. Our participation in this war is being expanded, and troop requirements presently are 125,000 men. Congress earlier this session appropriated an additional \$700 million to support the war, the draft has doubled, and studies are being made to determine whether Reserve units should be reactivated.

It is virtually impossible for a serviceman headed for Vietnam to purchase insurance which will provide for his family in case of his death. The coverage by private companies is inadequate and prohibitive in cost.

At the present time, under the dependency and indemnity compensation program, a widow of a serviceman can receive \$120 a month plus 12 percent of her husband's basic pay. Parents can qualify under this program if they meet dependency requirements. One parent living alone with an annual income of less than \$750 could receive \$83 a month; with an annual income of \$1,000 or less, \$63 a month; with an income of \$1,250 or less, \$50; with an annual income of \$1,500 or less, \$33.50 a month; with an annual income less than \$1,750, \$17.00 a month.

A parent, earning more than \$1,750 a year—even if he or she is the sole survivor of the serviceman—will receive no insurance.

These benefits are payable whether the serviceman dies of pneumonia at a stateside installation or on the battlefield in Vietnam. My bill would provide extra and deserved benefits for death on the battlefield.

I believe that it is the responsibility of the Federal Government to provide an insurance program for these servicemen, as it did for servicemen in World War I, World War II, and the Korean war.

It has always been the policy of the Federal Government in time of war to provide special, cost-free, life insurance for American servicemen. This is right, and it is the least that we can do for the men who risk their lives for us and for the preservation of freedom around the world.

I urge that this committee favorably consider H.R. 10286, and hope that it can be passed during this session of Congress.

Mr. WELTNER. I appear in support of the measure under consideration by this committee.

Some weeks prior to the passage of the Senate bill, I introduced in the House, a bill styled H.R. 10286, which would provide \$10,000 indemnity compensation for the beneficiaries of the serviceman who lost his life in a combat zone.

I am certainly familiar with some of the problems in designating the term combat zone. However, I feel that that can be done. It has been done in the past. Under the present situation a serviceman who lost his life in support of his country leaves no estate unless he comes within the provisions of dependency under existing statutes.

Now it seems to me that we should provide for this war in which this country is engaged the same protection for the serviceman who lost his life in a combat zone that we have provided in previous engagements.

I appear in support of H.R. 10286. I think it is time for Congress to act on this measure and I urge this committee's favorable consideration.

Mr. EVERETT. Thank you, sir.

Now, does your bill set up the old national service life insurance program or does it pay the widow out of the Treasury?

Mr. WELTNER. My bill, Mr. Chairman, pays the widow or the beneficiary or the next of kin from the Treasury over a period of 20 years at 2½ percent interest.

It is not an NSLI plan. The bill specifically provides that if there is any NSLI insurance in effect, the indemnity provided under this bill would be the difference between the NSLI payment and the total of \$10,000.

Mr. EVERETT. Would a man who was killed in a training accident in Fort Benning in your State be covered under your bill?

Mr. WELTNER. No, sir. He would only be covered by loss of life in a combat zone.

Mr. EVERETT. Designated by the President?

Mr. WELTNER. Yes, sir.

Mr. EVERETT. What is your thinking along the general theme of insurance for all servicemen wherever they might be, with private companies under a group plan such as we have in the civil service system today?

Mr. WELTNER. I think that would certainly be an area that deserves careful consideration. I would tend to support that proposition.



However, it seems to me that there is some difference in the responsibility of the people in this country to the survivors of the serviceman who lost his life in a combat zone.

Under the present circumstances where the Nation is not engaged in an all-out war, it seems to me that we owe some special consideration to the families and survivors of those servicemen.

Mr. EVERETT. Thank you. We are certainly happy to have you. You have made an outstanding contribution.

Mr. SECREST?

Mr. SECREST. I just want to commend you for your bill and also for your testimony.

Mr. EVERETT. Mr. Brown?

Mr. BROWN. No questions.

Mr. EVERETT. Mr. Ellsworth?

Mr. ELLSWORTH. I certainly want to join the chairman and the other members of the subcommittee in commending Congressman Weltner for his really outstanding contribution. He has been active in this field for months, I know.

We certainly appreciate, Congressman Weltner, your coming up and helping us out this morning with your testimony.

Mr. WELTNER. Thank you, sir. Thank you, Mr. Chairman.

Mr. EVERETT. Mr. Dunaway, we are happy to have you with us today. We understand you were scheduled for tomorrow but you will have to be out of town. We are certainly happy to accommodate you. You have been here throughout the whole hearing. You have heard the advice I have tried to give everyone else to be as short as possible and to hit the highlights. If you can do that, I will appreciate it.

**STATEMENT OF CARLYLE M. DUNAWAY, GENERAL COUNSEL,  
THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS**

Mr. DUNAWAY. Thank you, sir.

Mr. EVERETT. Whom do you represent, first, so that the record might show?

Mr. DUNAWAY. I will read that right now.

My name is Carlyle M. Dunaway, and I am general counsel of the National Association of Life Underwriters. My organization is a trade association with an aggregate membership of over 93,000 individuals, principally life insurance agents, general agents, and managers.

Mr. EVERETT. The companies do not belong to your organization?

Mr. DUNAWAY. No, sir; we represent life insurance agents and general agents and managers. We do have some company officials who are associate members but they are in a very small minority.

Mr. EVERETT. Go ahead.

Mr. DUNAWAY. My purpose in appearing before your subcommittee today is to give you my association's views regarding certain proposals that you have under consideration to amend—or, more specifically, to add to—the existing system of servicemen's survivor benefits.

I would like, in particular, to direct my remarks to the Senate-passed servicemen's indemnity bill, S. 2127, and the servicemen's group life insurance bill, H.R. 10873.

S. 2127 would provide each serviceman on active duty with free and automatic indemnity in the principal amount of \$10,000 against  
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death occurring in a "combat" zone or as a direct result of an injury or a disease incurred while serving in such a zone and not more than 2 years prior to death. This death benefit would be payable in 120 equal monthly installments, with interest at the rate of  $2\frac{1}{4}$  percent per year.

The serviceman could choose the beneficiary or beneficiaries of the indemnity within the following four classes: spouse, children, parents, and brothers and sisters. Thus, he would not be limited in his choice to beneficiaries who were actual dependents.

As I have already indicated, the entire cost of the indemnity benefit would be borne by the Federal Government.

S. 2127 also provides that, generally speaking, any serviceman who had had the indemnity coverage while serving in a combat zone would have the right to buy up to \$10,000 of national service life insurance, without medical examination, within 120 days after his separation from active duty.

In short, S. 2127 would in essence resurrect a limited version of the \$10,000 gratuitous indemnity program which was provided under Public Law 23, 82d Congress, and which was later eliminated by Public Law 881, 84th Congress--the Servicemen's and Veterans' Survivor Benefits Act of 1956.

On the other hand, H.R. 10873 would create a group life insurance program which would be underwritten by one or more private carriers and which would provide coverage for all members of the Armed Forces, rather than just for those serving in combat zones.

Under this proposed group plan, as we understand it, each serviceman would automatically be covered for \$10,000 of insurance unless he elected in writing either to reject the insurance or to take a smaller amount. He would pay for the entire cost of the insurance except that portion of the cost attributable to the extra hazard of military service.

His contributions would be set at a fixed amount, regardless of his age, and would be deducted each month from his basic pay. The Federal Government would contribute to the plan those amounts determined by the Administrator of Veterans' affairs to be sufficient to meet that part of the insurance cost attributable to the extra hazard of military service.

The serviceman would be completely free to designate the beneficiaries of the insurance. However, if he did not make such a designation, or if the designated beneficiaries did not survive him, the insurance proceeds would be paid to other beneficiaries in the order of preference specified in the bill.

Finally, the serviceman would have the right, within a certain period of time following his separation from active duty, to buy an individual insurance policy from any one of the carriers participating in the group program. Presumably, such a policy would be issued without a medical examination and in an amount not to exceed the amount of the terminated group coverage.

In making our appraisal of the foregoing measures, we have attempted to determine, first, whether or not a problem exists that necessitates or warrants action by the Federal Government at this time, and second, if such a problem does exist, the most appropriate means of solving it.

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In this process we have carefully considered the history and purpose of Public Law 881, 84th Congress, which I will now briefly review.

As your subcommittee will recall, Public Law 881 was enacted in 1956 largely in the form in which it had originally been developed by the House Select Committee on Survivor Benefits after many months of exhaustive study and numerous public hearings in 1954 and 1955.

Among the prime objectives which the select committee sought to achieve, and which were reflected in Public Law 881, as finally enacted, were: (1) the substantial liberalization of benefits payable by the Veterans' Administration to the surviving dependents of deceased servicemen at as small an additional cost to the taxpayers as possible, (2) the concomitant elimination, by and large, of the payment of Government benefits to nondependent survivors, and (3) the removal of any distinction between the amount of survivor benefits paid on account of in-service deaths occurring in peacetime and those occurring in wartime.

Regarding the last-mentioned objective, the termination of the \$10,000 gratuitous indemnity program, and the adequacy of the benefits provided in Public Law 881 (then designated as H.R. 7089), the select committee made the following statement (H. Rept. 993, 84th Cong., pt. I, p. 26):

Special note should be taken that the committee has labeled future Veterans' Administration payments as "dependency and indemnity compensation." This has particular significance, for although the gratuitous indemnity is terminated under this bill the committee is of the opinion that the increased Veterans' Administration payments do reflect what was formerly both compensation and indemnity.

In testimony before the committee some witnesses have stated that in the event of another national emergency or war, where men entering the Armed Forces could not obtain additional survivor benefits via commercial insurance except with a war clause provision, it would be necessary for the Federal Government to provide some insurance protection under a Government-sponsored and Government-underwritten program.

Under the package benefits—i.e., Veterans' Administration dependency and indemnity compensation plus social security—contained in its bill, the committee feels that the coverage provided is adequate for both peacetime and wartime conditions. The committee urges that, following enactment of the proposed legislation, the Congress, in the future, not consider adding insurance or any other supplementary survivor benefits beyond those provided in H.R. 7089.

The philosophy thus expressed by the select committee was obviously embraced by Congress—and, particularly, by the House of Representatives—for while H.R. 7089, as amended by the Senate Finance Committee and passed by the Senate, included a provision that would have revived the \$10,000 gratuitous indemnity in case of war or national emergencies involving hostilities, that provision was deleted in conference.

Even at the levels initially set on January 1, 1957, the effective date of Public Law 881 the VA dependency and indemnity compensation (DIC) benefits and the social security survivor benefits provided thereunder were generally conceded to be quite generous. And both types of these benefits have since been rather substantially increased. Therefore, in our opinion, there can be no serious question regarding the adequacy of the levels of benefits provided to eligible survivors of deceased servicemen.

The problem, if there is a problem, seems to stem principally from orders to go

to, a combat zone such as South Vietnam, are finding it increasingly difficult to buy private life insurance, or to buy such insurance without war exclusion clauses.

In these circumstances, it is argued, many such servicemen are being deprived of the opportunity to supplement the Public Law 881 survivor benefits or—perhaps more important—to provide any survivor benefits at all for certain classes of individuals (notably, non-dependent parents) who are not eligible to qualify for Public Law 881 benefits.

For example, in its report of August 16, 1965, accompanying S. 2127, the Senate Finance Committee had this to say (S. Rept. 619, 89th Cong., 1st sess., p. 3):

It was readily apparent to the committee, therefore, that thousands of young men who are being called to service as a result of the current planned buildup of our forces, have great difficulty and, in many cases, are unable to secure adequate insurance protection for their families.

\* \* \* \* \*

Thus, the unavailability of private insurance coverage makes it obligatory for our Federal Government to provide all servicemen in combat areas with insurance protection as proposed in this bill.

At the August 11 hearing held by the Senate Finance Committee on S. 2127, we opposed enactment of the bill for two main reasons.

First, we took the stand that reinstatement of the proposed \$10,000 gratuitous indemnity on top of the present DIC benefits would materially vitiate the carefully developed plan of the House Select Committee on Survivor Benefits and the intent of Congress in enacting Public Law 881, which I have earlier mentioned, and tend to add substantially to the cost of the VA's overall survivor benefits program.

Second, we contended that the proposed indemnity program is unnecessary for the reason that although servicemen are admittedly now finding it quite difficult to buy private life insurance without war exclusion clauses once they are in, or have been ordered to, a combat zone, they still have ample opportunity to buy insurance policies containing no such clauses at least until the very time they are alerted to go to a combat zone.

In that connection, I would like to stress what Congressman Hansen said a while ago, that we see in these servicemen the source of the real problem that Congress is faced with today.

It is our feeling that but for the fact that these men who are ordered to combat zones, or who are in combat zones, are unable to buy private life insurance without war exclusion clauses, there would be no pressure on Congress to do anything at this time.

With respect to the question that you addressed to several witnesses, Mr. Everett, as to whether or not the indemnity bill would cover death in training camps and so on, of course the answer is no, it would not. But there again, those men are still able to buy all the private insurance they want without war exclusion clauses, so they don't pose the problem.

Mr. EVERETT. Well, will they?

Mr. DUNAWAY. I hope that if our 93,000 members get on them, they will. I don't think it is because of any lack of aggressiveness on the part of our agents that some servicemen have not bought life insurance. I imagine that a lot of the servicemen who have been killed in Vietnam had ample opportunity at one time or another to

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buy insurance but that for one reason or another, they decided to put it off to another day, which, as any life insurance agent will tell you is a very common obstacle to the sale of life insurance.

Mr. EVERETT. I think a lot of people buy insurance on account of the aggressiveness of the insurance salesman. They would not have it otherwise when they needed it. There are a lot of policies I would not have bought back yonder if it had not been for the aggressiveness of the salesman at that time.

Mr. DUNAWAY. There is an old adage that life insurance is not bought, it is sold.

We have since reviewed our position on S. 2127. In the process, we have concluded that any problem which may now exist with respect to servicemen's survivor benefits and which may warrant action by the Federal Government involves only servicemen in the relatively limited category referred to above, who cannot now buy private life insurance without war exclusion clauses.

We have also concluded that if Congress feels impelled to take care of this problem, the indemnity approach provided in S. 2127 would appear to provide the most desirable and equitable solution, and that we would have no further objection to S. 2127, provided that it was amended in one important respect.

The amendment referred to would be one that would permit a serviceman, upon separation from active duty, to buy national service life insurance only if he had incurred a service-connected disability that rendered him commercially uninsurable at standard rates.

Mr. EVERETT. You mean he is service connected and comes under the law that we passed last year, or the year before last?

Mr. DUNAWAY. No, sir. That is the distinction I want to make here. Under the law now in existence, a discharged serviceman may buy NSLI if he has a service-connected disability. Which, although zero in degree for the purpose of compensation, is in a category which would entitle him to compensation if it were 10 percent or more in degree.

In other words, there are cases that I have heard of where, let us say, a serviceman has an appendectomy while in service. It is a perfectly normal appendectomy but he comes out of the service with a scar.

As I understand the situation, that man can buy NSLI upon determination that he did have this slight disability. The same thing is true of another case of which I heard where a serviceman suffered a cut over one eye which required several stitches. This man, we were told, would be entitled to buy NSLI under existing law. We think that such a man ought to have a service-connected disability which impairs his insurability at standard rates in order to qualify for NSLI.

I don't mean that the disability should render him completely commercially uninsurable but simply uninsurable at standard rates.

Mr. EVERETT. Yes. Go ahead.

Mr. DUNAWAY. We are very much opposed to H.R. 10873, the servicemen's group life insurance bill, for several reasons.

In the first place, by making \$10,000 of group life insurance coverage available to every member of the Armed Forces, this bill would needlessly provide for the vast majority of servicemen who, on their

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own, can already buy all of the life insurance that they want or need without war exclusion clauses.

Second, while it is true that each serviceman would automatically be covered under the proposed group program unless he elected either not to be covered or to be covered for less than the \$10,000 maximum, the fact is that he would have the right to make such an election.

In our opinion, this might tend to produce a situation, similar to that experienced in the case of the World War II NSLI program, in which many combat servicemen who needed the insurance coverage most might wind up with much less than the full \$10,000 of coverage or, even worse, with no coverage at all.

Mr. SECREST. From that statement you either figure they all ought to be covered or none, we ought to cover all of them if we are to cover any to the maximum.

Your statement infers if you take a little piece of it, it is no good.

Mr. DUNAWAY. If you are talking about covering mandatorily all of the members of the Armed Forces under an indemnity program, for example, we would be opposed to that at this time.

But as to the proposed group program, first of all, we think that it is too broad. It represents a shotgun approach to a problem which requires a rifle approach. However, we merely point out the election feature as being a possible weakness in the proposed group insurance approach and one which might lead to the type of situation referred to in my statement.

In that connection, during World War II, I believe it was shown that something like 10 percent of the servicemen killed had no NSLI at all while something like 44 percent of those insured had less than the full \$10,000 of coverage. This was one of the factors that contributed greatly to the abandonment of the NSLI program originally.

Finally, H.R. 10873 provides in effect that the Federal Government would bear that portion of the cost of the group life insurance program traceable to the extra hazard of military service.

Since this is the case, we submit that it would be much simpler and perhaps less expensive for the Government funds to be paid directly under the type of indemnity program proposed in S. 2127 rather than under a comprehensive and complex insurance program of the sort contemplated by H.R. 10873.

On behalf of my association, I would like to express deep appreciation for this opportunity to appear before your subcommittee. If you feel that we can be of further assistance to you in your consideration of S. 2127 or H.R. 10873, we trust that you will contact us at any time.

Mr. EVERETT. Thank you, sir.

I know that you are opposed to H.R. 10873, but given the choice between H.R. 10873 and reopening national service life insurance as it was in World War II, which choice would you take?

Mr. DUNAWAY. You present me with a Hobson's choice, Mr. Chairman. I think that we would in that case undoubtedly have to go for the group life insurance program.

Mr. EVERETT. Thank you sir. We certainly appreciate the contribution you have made.

Mr. Ellsworth?

Mr. ELLSWORTH. Thank you, Mr. Chairman. I have no questions.

Mr. EVERETT. Mr. Secrest?

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Mr. SECREST. This has nothing to do with this bill, but 39 years ago I was an insurance agent. My old district manager would always say you contact 10, you will sell 1. Have you upped the percentage?

Mr. DUNAWAY. I can't answer that question, sir. I am only a lawyer. I only go around with a lot of life insurance agents. So I really could not answer that question. All I know is this: The agents still wear their shoe soles out and keep their knuckles raw knocking on doors trying to persuade the people of the country to buy more and more insurance.

Mr. SECREST. When I worked as an agent on life insurance we got 50 percent of the first premium. Have you upped that for the agents any in the last 39 years?

Mr. DUNAWAY. I think that the classical commission schedule provides for a 55-percent first year commission with 9 annual 5 percent renewal commissions. That is the classical pattern, although it varies.

As you say, the first-year commission could be 50 percent with maybe a slightly greater percentage of annual renewal commissions than the 5 percent that I mentioned. By and large, the commission arrangement of which you speak is pretty much the same one that is in existence today. Of course, there are some companies that pay more than that. They are companies, by and large, that don't do business under the very stringent strictures of the New York insurance laws. But, generally speaking, there has not been too much of a change in commission schedules over the years.

Mr. EVERETT. Mr. Brown?

Mr. BROWN. No questions.

Mr. EVERETT. I might add that I certainly want to congratulate your association. I think that life insurance salesmen are better equipped and better qualified today to do a job in selling insurance than they were several years ago.

They have seminars for them and they are better educated.

Let me say we are certainly happy to have you. We certainly will be calling on you as we progress in deciding what will be the best for the servicemen in this Nation today.

Mr. Corcoran.

STATEMENT OF THOMAS CORCORAN ON BEHALF OF MARSH & McLENNAN

Mr. CORCORAN. My name is Thomas Corcoran. I am a lawyer in Washington, D.C., at 1511 K Street NW. I represent Marsh & McLennan who are probably one of the most knowledgeable brokers in the insurance business.

Mr. Chairman, I will get you out of here long before Halloween.

Mr. EVERETT. Thank you, sir. If you will file your statement.

Mr. CORCORAN. I am not even going to file a statement. After the testimony of Mr. Rood, we really don't need to speak at all because Mr. Rood has spoken very eloquently for the possibility of a group insurance plan, H.R. 10873, which we only wanted to say to you out of our long experience, we think is completely feasible just as it was in the FEGLI situation.

We do urge on the committee that no matter what is said, the rates will be so much cheaper and the coverage will be so much simpler in a group situation that we really think the armed services

should be given a chance to work out their insurance on a group basis as the civil servant was given a chance to work it out in the FEGLI bill.

We think the group plan can be worked out. We very much commend the testimony of Mr. Rood whom we think has spoken for us most eloquently.

Mr. EVERETT. Thank you, sir.

Mr. Secrest?

Mr. SECREST. I want to say in 1933, 1934, 1935, 1936, 1937, along through there, I voted for some legislation that allegedly you had a hand in drawing.

Mr. CORCORAN. No, sir; I was just a miserable little consultant.

Mr. SECREST. I was going to say it must have been pretty good legislation because I am still here. The Supreme Court knocked two or three out in a hurry.

Mr. CORCORAN. No none of those I helped out on. They knocked out some of the others. But the ones you voted for and I helped on were never knocked out.

The group insurance business has so many possibilities today of cutting rates almost in half that we really think the majority of the committee should take that group possibility into consideration as Mr. Rood said. A group plan can be worked out, sir. Out of our long experience, Marsh McLennan knows it can.

And may you get out before Halloween.

Mr. EVERETT. Mr. Patterson, are there any other witnesses?

COUNSEL. The VA, Department of Defense and veterans organizations tomorrow, Mr. Chairman.

Mr. EVERETT. Thank you for being so nice to us. We will see you tomorrow morning at 10 o'clock. The meeting is adjourned.

(Whereupon, at 10:50 a.m. the subcommittee recessed, to reconvene at 10 a.m., Thursday, September 9, 1965.)



## PROVISION OF INDEMNITY OR INSURANCE FOR INDIVIDUALS SERVING IN THE ARMED FORCES

THURSDAY, SEPTEMBER 9, 1965

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE OF THE  
COMMITTEE ON VETERANS' AFFAIRS,  
*Washington, D.C.*

The subcommittee met at 10 a.m., pursuant to recess, in room 356, Cannon Building, Hon. Robert A. Everett (chairman of the subcommittee) presiding.

Mr. EVERETT. The committee will come to order.

We are meeting this morning to continue, and I hope conclude, hearings on H.R. 10873 on the subject of insurance and other measures related thereto.

Our first witness this morning is our colleague, the Honorable Sidney R. Yates, of Illinois.

Mr. Yates, we are certainly happy to have you before the committee, and you may proceed in your own way.

### STATEMENT OF HON. SIDNEY R. YATES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. YATES. Mr. Chairman, I thank the committee for this opportunity to present briefly my views in support of special indemnity insurance for members of the Armed Forces serving in combat zones.

I have introduced a bill to provide for such insurance in the amount of \$10 000. My bill, H.R. 10301, is similar to the bill passed by the Senate. I am inclined to favor the amendment agreed to in the Senate which defines an equitable formula for distribution of payments to survivors.

The semantics of conflict in these difficult times should not detract from our consideration of this bill. The United States is not involved in a declared war, yet we are at war, and the protection for our servicemen that we now consider should be no less than the protection we have tendered to the men who have in the past been summoned to risk their lives on the far frontiers of freedom.

The fortunes of war preclude any security of life and limb for those in combat areas. But, we can offer these fellow citizens the security afforded by an insurance policy which assures them that in the event of their death their loved ones will have a measure of protection.

This assurance to servicemen that their parents, wives, and children will be looked after is the least a grateful nation can offer.

I do not consider the cost of this program excessive in view of the total expenditures of the war effort and especially in view of the total defense budget. It is estimated that the United States will spend

\$10 billion or more a year on the war in Vietnam. Our defense budget approaches \$50 billion per year. To date, more than 600 Americans have died in Vietnam. The Administrator of Veterans' Affairs has assumed a mortality rate of 1,200 deaths per year in Vietnam. At this rate, the total incurred yearly cost of the proposed indemnity program would be \$13,377,600, including the interest factor. If we are to look for savings of \$13 million, I believe there are many other areas of the budget in which we could look rather than in the area of compensating the survivors of those who have given their lives in fighting this war.

At the present time, the benefits that accrue to survivors of the more than 600 Americans who have died in Vietnam are no greater than the benefits that accrue to survivors of other military personnel who die while on active duty from any cause. The protection offered personnel in combat zones is inadequate to the dangers to which they are exposed. The Department of Defense recognizes this hazard of combat in pay increments but not in death benefits.

The fact that the proposed indemnity program is terminal in no way detracts from its value. The bill does not jeopardize the benefit structure now in effect. The present compensation program for service-connected disabilities would remain in effect, and dependency and indemnity compensation funds would still be payable to qualified survivors of men now serving in Vietnam, where death results from a service-connected disease or injury. The new indemnity program supplements these worthy programs.

I assume that the committee will give some attention to the possible role of private insurance companies in underwriting combat personnel. I cannot imagine too many 18-year-olds with sufficient resources to pay premiums for private policies, assuming these policies were available. I was interested to note that the Senate Committee on Finance had difficulty in finding even a handful of private carriers willing to insure personnel en route to or already on the scene in Vietnam. The Administrator of Veterans' Affairs found only three insurance companies willing to insure such personnel. Clearly, if it is not economically feasible for private firms to pursue this work, it is the province of Congress to extend this protection, since there is no one else to do it.

I would hope that the need for this legislation would diminish. I hope, and I believe all Americans hope, that the American involvement in Vietnam will not be prolonged. But whether it is Vietnam, or Santo Domingo, it is clear that American forces will be called upon to serve in places of danger and some of our men will die on distant shores. We cannot place too high a premium on the lives of the individuals who are called to this service.

By offering them this protection, we are able to share their burden if only in a small way, and to let them know that we recognize and are grateful for the service they render for us.

Mr. EVERETT. Thank you, Mr. Yates.

Are there any questions?

If not, thank you again, Mr. Yates.

Mr. YATES. Thank you, Mr. Chairman.

Mr. EVERETT. The subcommittee will now hear from Congressman Matsunaga of Hawaii. Go right ahead, Mr. Matsunaga.

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**STATEMENT OF SPARK M. MATSUNAGA, MEMBER OF CONGRESS  
FROM HAWAII**

Mr. MATSUNAGA. Mr. Chairman and members of the subcommittee, I thank you for this opportunity of appearing before you and expressing my views with respect to H.R. 9748, a bill to amend title 38, United States Code, to provide wartime rates of disability compensation for veterans disabled from injury or disease incurred or aggravated by overseas service and free insurance protection for members of the Armed Forces serving overseas, which, along with other identical or similar bills, is now under consideration by this subcommittee.

Even before our present deep involvement in Vietnam, there appears to have been a widespread recognition on the part of Members of Congress and others of the need to provide our men in the military service, especially those who serve overseas, with free insurance protection. Such recognition of this need, as this subcommittee is fully aware, has been evidenced by the large number of bills on the subject which were introduced in the 88th Congress, and by the multitude of bills which are now the subject of these hearings.

The need for at least minimal insurance protection for each of our servicemen who face increased risk of death, injury, or disease while serving this Nation's interests abroad has become acute in recent months. With the commitment of more and more U.S. forces in Vietnam, our life insurance companies are looking with less and less favor upon servicemen as policyholders.

Just how far the serviceman has fallen in favor as a prospective policyholder of life insurance companies was the subject of a recent survey conducted by one of the leading newspapers in Hawaii. Major company representatives of some of the leading insurance companies of America were contacted. The question asked was whether commercial life insurance was available to servicemen who may be sent to Vietnam and whether there had been a recent change in company policy in insuring military personnel. Typical of the responses received were the following:

We will not sell to a man going to Vietnam.

We just got the word of a change in policy. Should we know that a man is going to Vietnam, we won't sell to him.

We have a war clause in our contracts and have had (one) for some time. We had the same (clause) during World War II and the Korean war.

Mr. Chairman, it is my understanding that if a man is killed today in combat, his survivors will receive a lump-sum social security payment of \$255, and dependency and indemnity compensation will be paid to the widow and/or parents, if dependents, of \$120. To this amount the Veterans' Administration adds 12 percent of the basic pay of the deceased serviceman. So this is a sliding scale payment based on rank. Unless there is life insurance which is payable, therefore, the sums received are wholly inadequate to provide for the needs of the family of the deceased serviceman.

My bill, H.R. 9748, is identical to the Daniels bill, H.R. 6161, and provides automatic insurance to each member of the Armed Forces while he is on active duty outside the United States. The insurance is in the amount of \$10,000, and would be provided by the United States without cost to the member. The \$10,000, however, would be reduced by the amount of U.S. Government life insurance or

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national service life insurance held by the insured and in force at the time of his death.

In addition, P.R. 9748 would amend section 336 of title 38, United States Code, to provide wartime rates of disability compensation for veterans disabled from injury or disease incurred or aggravated by overseas service.

Mr. Chairman and members of the subcommittee, for the men of our Armed Forces who serve our Nation's interests overseas, for their parents, their wives, and children, I strongly urge that H.R. 9748 or a bill with substantially the same provisions, be reported favorably by this subcommittee.

Thank you very much.

Mr. EVERETT. We are pleased to have as our next witness this morning our distinguished Administrator of Veterans' Affairs, the Honorable William J. Driver.

Mr. Driver, we are certainly happy to have you, and you may proceed.

**STATEMENT OF HON. WILLIAM J. DRIVER, ADMINISTRATOR OF VETERANS AFFAIRS; ACCOMPANIED BY ROBERT C. FABLE, JR., GENERAL COUNSEL; D. C. KNAPP, ASSISTANT GENERAL COUNSEL; AND A. W. STRATTON, CHIEF BENEFITS DIRECTOR**

Mr. DRIVER. Thank you very much, Mr. Chairman. I have several VA people here.

Mr. EVERETT. Will you introduce them, please, for the committee and for the benefit of those in the audience?

Mr. DRIVER. Here at the table with me are the General Counsel, Mr. Fable; and his assistant, Mr. Knapp; and the Chief Benefits Director, Mr. Stratton.

Mr. EVERETT. We are certainly happy to have all of you. And since your statement is a short one, I think it would be better to read it because this goes to the meat of the coconut here, I think, exactly your position on this bill.

Mr. DRIVER. Thank you, Mr. Chairman.

I am pleased to present the views of the Veterans' Administration on S. 2127, 89th Congress, a bill to establish a program of free "special indemnity insurance" for members of the Armed Forces serving in a combat zone, and on H.R. 10873, a bill to establish a program of group life insurance to be provided by private insurance companies for members of the uniformed services who are on active duty.

S. 2127 proposes to provide a maximum amount of \$10,000 automatic free "special indemnity insurance" (reduced by the amount of national service life or U.S. Government life insurance in force at the time of death) for death while on active duty with the Armed Forces in a combat zone (as that term is defined in the bill) on and after January 1, 1962, or as a direct result of an injury or disease incurred in a combat zone not more than 2 years prior to death.

The insured would have the right to designate the beneficiaries of the special indemnity insurance, but only within the classes named: spouse, children, parents, brothers, or sisters of the insured. The benefit would be payable to the surviving beneficiaries over a 10-year period. The bill provides for apportionment of the benefits payable with respect to certain beneficiaries under prescribed criteria.

Mr. EVERETT. Mr. Driver, why do you limit that to just spouse, children, parents, brothers, and sisters?

Mr. DRIVER. This is described in the Senate bill, Mr. Chairman.

Mr. EVERETT. I see.

Mr. DRIVER. I am merely referring to what this bill would provide for.

Mr. EVERETT. You are talking about the Senate bill?

Mr. DRIVER. Yes, sir. We are in no way adding to the provisions of the bill in this description.

Mr. EVERETT. Good. Go right ahead.

Mr. DRIVER. The bill would also authorize for persons insured under U.S. Government Life or national service life insurance, a waiver of all premiums on term insurance and that portion of the premium representing the pure insurance charges on permanent plan insurance during the period they were covered by the special indemnity insurance. Such insureds would have to continue their insurance in force by payment of premiums and apply for a refund after termination of their combat zone duty. Finally, the bill would authorize the issuance of postservice insurance to persons entitled to indemnity protection, under certain conditions.

The general purpose of H.R. 10873 is to authorize the Administrator of Veterans' Affairs to purchase from one or more commercial life insurance companies a group life insurance policy or policies which would automatically insure each member of the uniformed services on active duty in the amount of \$10,000 unless such member declined to be so insured or to be insured in an amount less than \$10,000. A premium—which would be uniform for all servicemen—would be deducted from his pay. The Government would contribute an amount to cover the excess mortality cost of such insurance traceable to the extra hazard of service.

The group life insurance granted under the bill would cease 120 days after separation from active duty. While the group insurance was in force the insured could—upon application, payment of the required premiums, and without medical examination—convert to a permanent plan of insurance then written by one of the participating commercial companies selected by the insured.

The group insurance would be payable to the designated beneficiary or beneficiaries selected by the insured. In the absence of a designated beneficiary, the insurance would be payable to the surviving spouse; children; parents; duly appointed executor or administrator of the insured's estate; or to other next of kin under the laws of the domicile of the insured at the time of his death.

The bill specifies certain criteria governing the selection, by the Administrator, of the primary commercial insurer and would require that company to reinsure portions of the total amount of insurance with such other life insurance companies as may elect to participate in the program.

Recently in the course of our consideration of the general field of veterans benefits—and particularly the aspects with which S. 2127 and H.R. 10873 are concerned—certain factors have become increasingly apparent. First, although it is true that commercial insurance is available without restriction to servicemen who are performing essentially peacetime duties, it is argued that those men who have been altered for, or who are serving in, a combat zone are

not readily able to obtain—at standard rates and without war exclusion clauses—commercial insurance coverage.

Second, many of our young servicemen do not have a wife or children. In the event of their death, the program of dependency and indemnity compensation established by the Survivor Benefits Act authorizes benefits for their parents only if they meet a specified "needs" test and for two parents living together no dependency or indemnity compensation benefits are payable if their annual income exceeds \$2,400. It is extremely difficult to devise a change within the framework of the existing program which would provide benefits for nondependent parents within the basic needs concept that has been incorporated in it. Third, there are servicemen who are survived by individuals such as brothers or sisters who are not afforded any benefits under the dependency and indemnity compensation program, but to whom the serviceman may well feel he owes some survivorship protection.

The group life insurance proposal, H.R. 10873, provides a feasible solution to these problems. It would authorize \$10,000 insurance coverage for all men in service; it would make benefits available in those cases where only nondependent parents survive a man killed in service; and it would permit servicemen to designate other beneficiaries now ineligible under the survivor benefits law. Under S. 2127, the indemnity bill, the entire cost would be borne by the Government. Thus, a further gratuity would be superimposed on the existing gratuitous survivor benefits program which, including full social security coverage, was carefully evolved by the House of Representatives select committee about 10 years ago.

On the other hand, H.R. 10873, by requiring premium payments which, in the absence of a very extensive escalation of the military situation, will make the program close to self-supporting. Accordingly this approach will make available in every case a reasonable amount of insurance protection, the unavailability of which the sponsors of S. 2127 assert is the basic justification for the indemnity approach.

In the light of the foregoing consideration, I am unable to recommend favorable action on S. 2127, but am pleased to inform the committee that the Veterans' Administration supports the principle of group life insurance as proposed in H.R. 10873. I understand that certain technical and other perfecting amendments to the bill are indicated. In this connection, my staff will be available to the committee at any time to assist in working out such amendments.

Mr. EVERETT. We certainly thank you, Mr. Driver, and I certainly appreciate the fact that you as Administrator of the Veterans' Administration have endorsed this principle in this committee bill that we have introduced.

Any questions, Mr. Secrest?

Mr. SECREST. I appreciate, also, your comment with respect to that bill and I want, also, to commend you in the highest terms of which I am capable for your administrative action in restoring the size of the burial flag for deceased veterans.

Mr. DRIVER. Thank you, Mr. Secrest.

Mr. EVERETT. Mr. Brown?

Mr. Teague?

Mr. TEAGUE of California. No questions Mr. Chairman.

Mr. EVERETT. Mr. Meadows.

STAFF DIRECTOR. Mr. Driver, in the administration of this program, do you visualize undue problems or undue difficulty in setting up an organization to develop an administrative program such as this group program?

MR. DRIVER. Within the VA?

STAFF DIRECTOR. Yes.

MR. DRIVER. No; we don't anticipate any difficulty.

STAFF DIRECTOR. Thank you.

MR. EVERETT. Mr. Driver, don't you think a better approach is to let private enterprise participate in this rather than to get into all of the ramifications of the old national service life insurance?

MR. DRIVER. We do, Mr. Chairman. I think this is a very imaginative and worthwhile approach to this problem.

MR. EVERETT. Thank you, sir.

MR. PATTERSON. Do you have any questions?

COUNSEL. No, Mr. Chairman; I do not.

MR. EVERETT. We certainly thank you and thank your staff for the work you have already done on this bill, and we will certainly be calling on you as we get to perfecting amendments before the subcommittee meets in executive session.

MR. DRIVER. Thank you, sir.

MR. EVERETT. General Berg.

General, we are certainly happy to have you this morning, and the Colonel.

**STATEMENT OF BRIG. GEN. WILLIAM W. BERG, DEPARTMENT OF  
DEFENSE, ACCOMPANIED BY COL. HERBERT B. ALLEN, U.S.  
ARMY**

General BERG. Colonel Allen, sir.

MR. EVERETT. Thank you, sir. General, you may proceed.

General BERG. Mr. Chairman and members of this committee, I am William W. Berg, brigadier general, U.S. Air Force, Deputy Assistant Secretary of Defense for Manpower (Military Personnel Policy). I appreciate the opportunity to express the views of the Department of Defense on S. 2127 and H.R. 10873.

Since these bills affect laws administered solely by the Veterans' Administration, the Department of Defense defers to the views of that agency as to the technical merits of these bills. Because, however, these bills affect benefits for our military members and their dependents, I believe it is necessary to comment on the Senate bill and certain features of H.R. 10873.

We are gratified at the concern of the Congress for the wives, children, parents, and other dependents of servicemen who die in the service of their country. We have carefully reviewed S. 2127 as passed by the Senate and believe that the concept of the gratuitous indemnification as contained in the bill does not, in our opinion, meet current insurance needs of the members of the uniformed services.

On the other hand, the Department of Defense strongly supports the principles contained in H.R. 10873 because, with some minor revisions, it contributes to the accomplishments of several objectives favored by the Department.

First, the bill provides an immediate, low-cost, group insurance program, available to all service personnel with minimum costs accru-

ing to the Federal Government. In so doing, it meets a basic requirement to cover those young members whose nondependent survivors would not qualify for payments under dependency and indemnity laws.

Second, the bill effects an added inducement to a service career. Third, the bill provides yet another element of a sound financial plan for members and their survivors in event of their death.

The program that would be established by this bill would be administered by the Veterans' Administration and has been commented on by that agency. The Department of Defense strongly supports the concept of group life insurance for servicemen which is embodied in H.R. 10873. The Department considers that the bill would contribute importantly to the morale of members of the Armed Forces by remedying certain limit gaps in the coverage of the Veteran Survivorship Act and would also be extremely helpful in connection with the recent difficulty that members of the Armed Forces assigned to Vietnam would encounter in obtaining private insurance.

As I stated, H.R. 10873 contains a number of technical provisions which will be of primary concern to the Veterans' Administration but some of which are of interest to this Department. However, there has not been sufficient time for us to make a detailed study of all these provisions. We would therefore propose to defer commenting on them and plan to work with members of the committee staff in the next few days concerning suggestions which we believe would improve the bill.

I would like to repeat again: the Department of Defense strongly supports the group life insurance concept embodied in H.R. 10873 and urges early enactment of legislation embodying such a concept.

I appreciate this opportunity to appear before the committee to express the views of the Department of Defense. I will be pleased to attempt to answer questions on this subject.

Mr. EVERETT. Thank you, General. That is certainly a fine statement. How long will it take your group and your staff to get together to study the perfecting amendments we ought to have for this bill?

General BERG. We are ready now, sir.

Mr. EVERETT. You are?

General BERG. Yes, sir.

Mr. EVERETT. General, do you anticipate much cost to the Department of Defense in administering the withholding on this?

General BERG. No, sir; we do not.

Mr. EVERETT. We certainly thank you for your statement.

Mr. SECRET?

Mr. SECRET. Would you object if this were compulsory for all members of the armed services?

General BERG. Compulsory?

Mr. SECRET. Compulsory rather than to have somebody go in today and out tomorrow, and in for part of it, and up and down the scale as was done, certainly, under U.S. Government life insurance and NSLI.

General BERG. I think you would run into some problems in that, Mr. Secret, in making it compulsory for people, particularly when they had to pay for it themselves. We had this problem, you know, with insurance during World War II. Even then a man could not be required to take it; and if my memory serves me correctly, I think



under the group life insurance that the Federal Civil Service has today you do not have to be a part of it, but you do have to indicate that it has been made available to you and you do not wish it.

Mr. EVERETT. In writing, as I understand it.

General BERG. That is correct.

Mr. TEAGUE of California. Would the gentleman yield?

Mr. SECREST. Yes.

Mr. TEAGUE of California. What would you think of some sort of compromise on this principle? For instance, having it initially compulsory, say for 90 days, so that all servicemen would be covered, and then a requirement that they file some sort of a form indicating they don't want it, if they want out after 90 days?

General BERG. As I understand it, sir, that is just another form of the provision as it is now written certifying that you don't want it. You would merely cover them for the first 90 days under that.

Mr. EVERETT. Go right ahead, Mr. Secrest.

Mr. SECREST. I was thinking personally of many hardship cases where a veteran did not take insurance or took only a small amount, and then after he died the family came in, wanted insurance and couldn't get it because he hadn't signed up for it. I was just wondering about the desirability of, as cheap as it is, everyone taking it. Then, no matter where you go in the world, you are insured.

Mr. EVERETT. Mr. Brown?

Mr. BROWN. No questions, Mr. Chairman.

Mr. EVERETT. Mr. Meadows?

STAFF DIRECTOR. General, the bill under consideration, of course, has a \$10,000 maximum figure. Does the Department of Defense have any views on both the question of whether it should be \$10,000, or more, and also whether we should retain this provision in the bill that permits increments of \$500 and up? Do you have views on both those questions?

General BERG. The only comment I could make on that, Mr. Meadows, is I have been working on the so-called Federal Staff Retirement Committee that the President established last February to review the survivor annuity programs of all Federal employees, and we have discussed a proposal before that committee to essentially adopt a program of group life insurance for military people which is patterned after the current civil service program. And under that program, the amount of insurance that you are limited to is equal in thousand dollar increments to the salary that you draw. And under that concept, our people could go as high as \$20,000.

The relative pros and cons, whether it should be \$10,000, or whether it should be higher, we don't have an official position on.

STAFF DIRECTOR. That is all.

Mr. EVERETT. Mr. Patterson?

COUNSEL. I have no questions, Mr. Chairman.

Mr. SECREST. I would like to ask just one more question.

Mr. EVERETT. Yes, sir.

Mr. SECREST. As I recall, years ago certainly, compulsory contributions were required from members of the Armed Forces to maintain the Soldiers Home. Has that been discarded, or do you still have that?

General BERG. It is still in effect today.

Mr. SECREST. That is compulsory. You have no election there.

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General BERG. That is correct.

Mr. SECREST. Very few out of all the millions that serve ever go to the Soldiers' Home.

General BERG. That is correct. You are absolutely right. That contribution is 10 cents a month.

Mr. SECREST. For those that go, it is a very substantial and wonderful place out there.

General BERG. That's right.

Mr. SECREST. That is all.

Mr. EVERETT. Thank you, General. We certainly appreciate your contribution.

COUNSEL. Mr. Chairman, we have a further statement from Mr. Dunaway of the National Association of Life Underwriters that he would like to have included in the record with some additional information.

Mr. EVERETT. Without objection, it will be entered at this point in the record.

(The statement referred to follows:)

THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS,  
Washington, D.C., September 8, 1965.

Re servicemen's indemnity bill, S. 2127, and servicemen's group life insurance bill, H.R. 10873.

HON. ROBERT A. EVERETT,  
Chairman, House Veterans' Affairs Subcommittee on Insurance,  
Cannon House Office Building, Washington, D.C.

DEAR MR. EVERETT: For such assistance as it may be to your Subcommittee on Insurance in its consideration of the above-captioned bills, I am enclosing herewith my letter of August 27, 1965, to Senator Harry F. Byrd, chairman of the Senate Finance Committee, in which I listed certain life insurance companies that were then (and presumably still are) issuing policies without war exclusion to servicemen either in or alerted to go to a combat zone.

Since my original letter to Senator Byrd, we have been advised by the American Life Convention and the Life Insurance Association of America that the following three additional companies are also issuing policies without war exclusion clauses to the types of servicemen referred to above:

1. The Equitable Life Assurance Society of the United States, 1285 Avenue of the Americas, New York, N.Y.
2. Girard Life Insurance Co. of America, Post Office Box 5297, Dallas, Tex.
3. Reliance Standard Life Insurance Co., Four Penn Center Plaza, Philadelphia, Pa.

We would also like to take this opportunity to make one additional comment regarding S. 2127 that concerns the scope of the indemnity coverage that would be provided thereunder.

At the September 8 hearing held by your subcommittee, there seemed to be a certain amount of criticism directed at S. 2127 because of the fact that it would provide for the payment of the indemnity benefit only to the beneficiaries of servicemen who died on active duty while in a combat zone or as a direct result of an injury or a disease incurred while serving in such a zone, and that the bill would do nothing for the survivors of servicemen who, for example, died while en route to or from such a zone.

It seems to us that this criticism, if considered important, could easily be taken care of by a simple amendment to S. 2127 that would extend the indemnity protection to servicemen while en route to or from a combat zone and perhaps also to those who have been ordered or alerted to go to such a zone. With such a broadening amendment, S. 2127 would, in our opinion, adequately provide for all servicemen who, solely because of their particular status, are finding it difficult to buy private life insurance without war exclusion clauses. And as I tried to point out at your September 8 hearing, it is principally the plight of the servicemen in this relatively limited category that apparently has generated the problem that Congress is now being importuned to solve.

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If you are agreeable, we would very much appreciate having this letter and the enclosure included in the record of the hearings held by your subcommittee on the bills referred to above.

Sincerely yours,

CARLYLE M. DUNAWAY,  
General Counsel.

THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS,  
Washington, D.C., August 27, 1965.

Re servicemen's indemnity bill S. 2127.

HON. HARRY F. BYRD,  
Chairman, Senate Finance Committee,  
New Senate Office Building,  
Washington, D.C.

DEAR SENATOR BYRD: During the course of the August 11 hearing held by the Senate Finance Committee on the above-captioned bill, Senator Herman E. Talmadge asked our association to provide a list of the life insurance companies that will issue policies without war exclusion clauses to servicemen already in a combat zone or alerted to move to such a zone.

After the hearing, we found that, unfortunately, it would not be possible to compile the requested information in time for inclusion in the record of the hearing on S. 2127, which was closed on August 16. We advised the Senate Finance Committee office of this fact and were then asked to furnish the information as soon as possible.

We also determined that it would not be possible—certainly not within a reasonably short time span—to canvass all of the 1,500-plus legal reserve life insurance companies doing business in the United States for the desired information. However, we concluded that a highly meaningful amount of the information could be gathered by canvassing the member companies of the American Life Convention and the Life Insurance Association of America, which are the two major life insurance company trade associations in this country. In this connection, we wish to point out that the 330 ALC-LIAA member companies have in force over 93 percent of the legal reserve life insurance written in the United States.

The ALC and the LIAA very kindly cooperated with us on this project by sending an appropriate questionnaire to their member companies on August 16. As of today, approximately two-thirds of these companies have replied to the questionnaire, indicating their present practices regarding the use of war exclusion clauses.

According to their replies, 23 of the companies will issue life insurance policies without either a war exclusion clause or an extra premium for war hazard to servicemen who are in a combat zone or who have been alerted to move to one. The names and addresses of these companies are as follows:

1. American National Insurance Co., Moody Avenue at Market Street, Galveston, Tex.
2. Bankers Mutual Life Insurance Co., 500 West South Street, Freeport, Ill.
3. Boston Mutual Life Insurance Co., 156 Stuart Street, Boston, Mass.
4. The College Life Insurance Co. of America, College Square at Central Court South, Post Office Box 72, Indianapolis, Ind.
5. Country Life Insurance Co., Post Office Box 575, Bloomington, Ill.
6. Farm Bureau Life Insurance Co. of Michigan, 4000 North Grand River Avenue, Lansing, Mich.
7. Federal Life Insurance Co. (Mutual), 6100 North Cicero Avenue, Chicago, Ill.
8. Grange Mutual Life Co., Post Office Box 48, Nampa, Idaho.
9. The IIBA Life Insurance Co., First Street at Willetta, Post Office Box 1272, Phoenix, Ariz.
10. Life Insurance Co. of Georgia, 573 West Peachtree Street NE., Post Office Box 6207, Atlanta, Ga.
11. Metropolitan Life Insurance Co., 1 Madison Avenue, New York, N.Y.
12. The Mutual Life Insurance Co., of New York, 1740 Broadway, New York, N.Y.
13. National Guardian Life Insurance Co., Post Office Box 1191, Madison, Wis.
14. North Central Life Insurance Co., North Central Life Building, Minnesota and Fourth Streets, St. Paul, Minn.
15. Northern National Life Insurance Co., 219 North Seventh Street, Bismarck, N. Dak.

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16. The Old Line Life Insurance Co. of America, 707 North 14th Street, Milwaukee, Wis.
  17. Pacific Fidelity Life Insurance Co., 1150 South Olive Street, Los Angeles, Calif.
  18. Pacific National Life Assurance Co., 215 Market Street, San Francisco, Calif.
  19. Pioneer American Insurance Co., 6401 Camp Bowie Boulevard, Fort Worth, Tex.
  20. Rio Grande National Life Insurance Co., 251 North Field Street, Dallas, Tex.
  21. United Services Life Insurance Co., 1701 Pennsylvania Avenue NW., Washington, D.C. (officers only).
  22. Universal Life & Accident Insurance Co., Post Office Box 779, Dallas, Tex.
  23. The Wisconsin Life Insurance Co., Post Office Box 5099, Madison, Wis.
- An additional five companies will issue such policies to servicemen who have been alerted to go to a combat zone but not to those already in such a zone. The names and addresses of these companies are as follows:

1. American Mutual Life Insurance Co., Liberty Building, Sixth and Grand Avenues, Des Moines, Iowa.
2. The First Pyramid Life Insurance Co. of America, Pyramid Life Building, Little Rock, Ark. (officers only).
3. Gibraltar Life Insurance Co. of America, Post Office Box 599, Dallas, Tex.
4. New York Life Insurance Co., 51 Madison Avenue, New York, N. Y.
5. The Travelers Insurance Co., One Tower Square, Hartford, Conn.

Most of these 28 companies impose maximum limits on the amount of coverage they will issue to servicemen in the circumstances under discussion. These limits vary considerably from company to company, but in only three companies are they as low as \$5,000. In all of the others, the limits are at least \$10,000.

We trust that this information satisfactorily complies with Senator Talmadge's request. If anything further is needed, please do not hesitate to contact us.

We are sending copies of this letter to all members of the Senate Finance Committee.

Sincerely yours,

CARLYLE M. DUNAWAY,  
General Counsel.

Mr. EVERETT: Our next witness will be Mr. Corcoran of the American Legion. Go right ahead, Mr. Corcoran.

**STATEMENT OF JOHN J. CORCORAN, AMERICAN LEGION; ACCOMPANIED BY ROBERT F. MURPHY, ASSISTANT DIRECTOR, NATIONAL LEGISLATIVE COMMISSION; AND CHARLES E. MATTINGLY, CHIEF, INSURANCE ACTIVITIES**

Mr. MURPHY: Mr. Chairman, my name is Robert F. Murphy, the assistant director of our National Legislative Commission.

Mr. EVERETT: Good. We are certainly happy to have you.

Mr. MURPHY: This morning we have with us our chief of our insurance activities, Mr. Charles Mattingly, and our principal witness, Mr. John Corcoran, Director of the National Rehabilitation Commission of the American Legion.

Mr. EVERETT: Thank you. We are certainly happy to have all three of you, and if you will file your statement for the record and hit the high points, we will certainly appreciate it.

Mr. CORCORAN: Mr. Chairman, if I read the statement, it will take about 12 to 14 minutes. Do you still prefer that I file it?

Mr. EVERETT: Do you have it summarized there?

Mr. CORCORAN: Yes.

Mr. EVERETT: I would just rather have the statement filed and let's just summarize the high points of it, if you don't mind.

Mr. CORCORAN: All right, sir.

(Mr. Corcoran's statement follows.)

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STATEMENT BY JOHN J. CONCORAN, DIRECTOR, NATIONAL REHABILITATION COMMISSION, THE AMERICAN LEGION, SEPTEMBER 9, 1965

Mr. Chairman and members of the subcommittee, the American Legion appreciates this opportunity to present its views on proposals now before this distinguished subcommittee to restore insurability to certain members of our Armed Forces.

On September 2, 1965, the 20th anniversary of the cessation of hostilities of World War II, I was privileged to appear before the full House Committee on Veterans' Affairs to present the views of the American Legion, as established by our national convention held last month, on the so-called cold war GI bill. This experience was a special source of pride to me, as a representative of the American Legion, because the American Legion was the chief architect of the original GI bill of rights, a law singled out by so many of our Nation's leaders as the most constructive legislation ever enacted by the Congress for veterans.

The American Legion believed in 1944, as now, that the sacrifices of our Armed Forces personnel, in defending the principles of freedom and democracy, entitle them to special consideration by a grateful Nation. At the present time, members of the Armed Forces are being subjected to special disciplines and deprivations. They have been assigned obligations and duties as hazardous as those experienced by servicemen of other wars. For this reason, the American Legion believes that the members of our Armed Forces are entitled to additional benefits comparable to those offered veterans and their dependents of other wars. The offering of insurance protection to restore lost insurability to these servicemen is a proper consideration in any move to place benefits on a comparable basis. Our position in this matter is contained in resolution No. 125, approved August 26, 1965, by our national convention. With your permission, Mr. Chairman, I would like to submit a copy of resolution No. 125 for the record.

As I mentioned to the full committee in my statement of September 2, 1965, Resolution No. 125 directs us to seek "comparable" benefits for all persons who served after August 5, 1964. The word "comparable" was chosen deliberately because it was recognized that the possibility exists that we should not seek identical benefits. Several proposals dealing with the question of offering insurance to servicemen are now under study by my staff for recommendation to our national executive committee, which meets October 6-7, 1965. Until our national executive committee approves a specific instruction concerning the type of insurance that we support, my remarks must necessarily remain general in nature.

The opportunity for servicemen to obtain adequate insurance protection at reasonable cost from commercial sources, without restriction as to the hazards of war, is rapidly drying up. In fact, many companies have already placed war restriction clauses in contracts offered to these men. We have learned that other companies will do this if applications in any volume are received from servicemen alerted for overseas duty. With the expansion of activities in Vietnam, and other areas, we assume that insurance protection from commercial sources will soon be unobtainable. Under these circumstances, Mr. Chairman, the American Legion believes that it is only simple justice for the Government to fill this void.

With certain changes and modifications, we find much to recommend support of the proposals contained in S. 2127 and H.R. 10873, and other bills of similar nature introduced for this purpose. In addition to the free indemnity and group life insurance approaches, I also believe the offering of contractual insurance is worthy of study by this subcommittee.

Traditionally, the American Legion has favored contractual insurance as best. In addition to offering adequate insurance protection on an optional basis, at reasonable cost to the serviceman, it fosters a sense of responsibility and thrift. It also offers greater flexibility in naming the beneficiaries, and determining the manner in which the proceeds will be paid. We recognize, however, that contractual insurance for persons in the active service may have some drawbacks. For example, in World War II, for one reason or another, about 1 out of 10 persons who died was not insured. In addition, of those deaths covered by some insurance, only about 56 percent carried the maximum amount allowable. We believe that many of these younger servicemen, in the lower enlisted grades, simply failed to appreciate the value of insurance and, perhaps, were less able to authorize allotments from their meager service pay to cover the cost of premiums.

The proposal to offer a free indemnity type of coverage against death for dependents of servicemen is also worthy of careful consideration. It would automatically provide maximum insurance protection for the families and dependents of all servicemen on an equal basis. Since all of the proposals under considera-

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tion would require the Government to pay the cost of liabilities attributable to the extra hazards of war, it is believed that the free indemnity approach would result in little additional cost to the Government, as compared to offering regular contractual or group life insurance. This was certainly the case in World War II, as about 89 percent of all inservice deaths were found to be attributable to the extra hazards of war.

The proposal to provide a group type of life insurance for members of the Armed Forces is new. As I understand it, participation in the program would be discretionary, as would the amount of insurance to be carried up to a maximum of \$10,000. This approach could be the means of providing low cost protection for servicemen. However, it also presents some of the inadequacies of regular contractual insurance. I fear that many younger servicemen, in the lower pay grades, with the least means of adequately providing for their dependents in the event of death, would be the most prone not to participate, or carry the maximum amount allowable. I also note that, under this proposal, liabilities traceable to the extra hazards of war will be borne by the Government. Assuming that hostilities in Vietnam accelerate to any appreciable degree, the cost of this insurance to the Government would probably be about the same as the cost of free indemnity program.

The American Legion is opposed to any proposal that would call for the insurance offered to be underwritten by commercial sources, or in any way separated from the Veterans' Administration. Our established policy is contained in Resolution 28 of our May 1963 national executive committee meeting. That resolution expresses the conviction that an insurance program conducted by the Veterans' Administration is the most efficient and economical kind, and is the one that offers the greatest service to insureds.

Beyond that, we believe it is the basic, fundamental, and traditional responsibility of the Federal Government to provide an insurance program for the survivors of servicemen dying under the circumstances existing in the world today. In this connection, I would like to invite your attention to the statement by Mr. Ralph R. Lounsbury, chairman of the Joint National Service Life Insurance Committee of the American Life Convention of Chicago, and the Life Insurance Association of America of New York, Associations of Legal Reserve Life Insurance Companies, contained in the transcript of hearings conducted January 25, 1951, on similar proposals to cover Korean conflict veterans. Mr. Lounsbury stated in part follows:

"We wish to make it abundantly clear that the life insurance companies fully recognize the need for a Government program which will provide a measure of protection to the dependents of servicemen while on active duty in the Armed Forces of our country in time of war, or who lose their normal insurability while in such service. The life insurance companies commonly issue complete coverage on servicemen during peacetime and even in wartime are in position to offer insurance on a part of the risk; that is, the normal hazards as distinguished from the abnormal hazards of service in time of war. When the prospects of abnormal hazards of war become too great, the private companies cannot issue new insurance to include these hazards without charging premium rates which are so high that few servicemen could afford to buy the protection. It is obvious that when the Government undertakes to insure these hazardous risks at rates based on normal hazards, the excess mortality cost is borne by the taxpayers, as we believe it should be. To the extent that the Government insures the normal hazards, the Government furnishes coverage which is readily available from private insurers. We recognize, however, that during the period of active service while the Nation is at war or in a national emergency, it is not practical to limit the Government coverage to death resulting from only the abnormal hazards."

The American Legion believes that our worldwide commitments have assumed the proportions of a national emergency and that our servicemen are being required to perform duties in extremely hazardous and warlike circumstances. We feel, therefore, that the Government should support, by congressional appropriations, any insurance program offered these servicemen.

What part would the commercial life insurance companies play under the group proposal? They would establish an administrative office and underwrite the risks. The service department would keep the records and deduct the premiums. The Veterans' Administration would administer the total program. The Federal Government would bear the cost of deaths due to the extra hazards of service. Nothing remains, really, for the commercial companies to do except realize a profit from the premiums charged. We don't criticize the commercial insurance companies for seeking a profit; that's what they are in business for. We simply main-

tain that indemnifying the lives of our servicemen and providing a degree of protection to their parents, widows, and orphans is not a business transaction; it is the responsibility of the Government.

Regardless of the approach this subcommittee chooses to recommend as the vehicle to provide some type of insurance protection for these servicemen, I believe certain general provisions should be included. To mention a few:

1. There should be no service area restriction as to the persons covered. Consistent with long-standing policy of the American Legion, we feel that, with respect to any insurance coverage made available by the Government, all persons who served after August 5, 1964, or the date selected by the Congress, should be treated equally, regardless of place of service.

2. Gratuitous insurance benefits should be paid, without a dependency test or restriction as to any other benefit, to widows, children, parent, or parents, in the order named, surviving servicemen who die while performing active duty between August 5, 1964, or the date selected by Congress, and the date insurance coverage under the new proposal becomes available.

3. Provisions should be made for waiver of that portion of any premium representing the cost of the pure risk on any contractual USGLI or NLSI carried by the serviceman on the basis of prior service, similar to the provision contained in section 622 of the Servicemen's Indemnity Act of 1951 (38 U.S.C. 724).

4. Some type of contractual insurance should be made available, without regard to condition of health, upon application made in writing to the Veterans' Administration within 120 days after separation from the active service.

Mr. Chairman, the American Legion appreciates the opportunity to offer these suggestions, subject to the limitation of our national convention instruction concerning insurance coverage for inservice personnel. After our national executive committee has had an opportunity to consider the proposals presently under study, we will be in a position to specifically inform the subcommittee of the official position of the American Legion in this regard.

Thank you.

FORTY-SEVENTH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION,  
PORTLAND, OREG., AUGUST 24-26, 1965

Resolution: No. 125 (California).

Committee: Rehabilitation.

Subject: Sponsor and support legislation to provide for cold war veterans a benefits program comparable to that available to other war veterans.

Whereas, the United States is now and has been for some time engaged in actions in various areas of the world to keep peace and preserve the freedom of friendly nations against aggression; and

Whereas American fighting men have been and are increasingly being subjected to wartime conditions, are suffering casualties and are dying in defense of freedom loving people everywhere; and

Whereas the conditions to which our servicemen are being subjected are similar to those which existed when certain rights and benefits were granted to those who served in World War II and Korea; and

Whereas the war veterans program is comprehensive, justified, and a proven program supported by the American Legion and the general public; and

Whereas on August 5, 1964, in Tonkin Bay off the coast of Vietnam aggressive acts of war were taken against U.S. warships which retaliated and since that time our country has engaged in conflict with hostile forces both in Vietnam and elsewhere; Now, therefore, be it

*Resolved, by The American Legion in national convention assembled in Portland, Oreg., August 24-26, 1965, That the American Legion recognizes the sacrifices of our Armed Forces personnel who are defending the principles of freedom and democracy and that it shall sponsor and support a benefits program comparable to that available to other war veterans for those veterans who have served since August 5, 1964, or such other date as may be selected by the national convention.*

Approved.

Mr. CORCORAN. First of all, we appreciate the opportunity to appear before the committee and to express the views of the American Legion on the proposals that are pending before you. We are not in a position at this time, regrettably, to specifically support or oppose any of the three different types of approaches suggested, or implied, or inherent in the bills before you.

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This is so, because we appear before you between a national convention and a national executive committee meeting, and the latter body has been given the responsibility by the former body to decide specifically what benefits ought to be extended to the inservice personnel.

Let me tell you some the basic considerations that underlie our position. Let me begin by saying that our position is that while we do not oppose a group life insurance coverage plan; we tend to favor an indemnity approach which would make at discharge some type of contractual insurance available.

Let me give you about six or seven points that, as I say, I think form the foundation for the American Legion position. First of all, the Legion, after careful study, has concluded that the size, and the scope, and the nature of the military operations being engaged in by the United States in Vietnam and in other areas, and our military and other commitments throughout the world, constitute an emergency situation and have the effect of creating a substantial number of "war" veterans.

Secondly, we have concluded that, therefore, additional war period benefits ought to be extended to the persons who are serving in our Armed Forces now.

Next—and this is as a result of a long-established Legion position—we feel that whatever benefits are extended ought to be extended to all people who serve, because every man in service goes where Uncle tells him. He doesn't select his place of service.

Mr. EVERETT. Under this bill, he would be included, wouldn't he?

Mr. CONCORAN. There is no objection on that point to your bill, or to the group life.

Mr. EVERETT. Yes, sir. Go right ahead.

Mr. CONCORAN. Next, we feel that one of the benefits that ought to be extended is an insurance-type benefit. We feel that in the light of the circumstances that I have described above—namely, the emergency situation, the military situation, the fact that we are creating war veterans—it is the responsibility of the Federal Government to provide the insurance.

Mr. EVERETT. In other words, you think the Federal Government ought to pay for it all out of the Treasury, rather than to have the contributions; right?

Mr. CONCORAN. The committee could decide, of course, to take the contractual type of insurance, in which case the insured would pay the premiums on the risks; that's true. So we take no specific position on that, although we tend toward the indemnity, in which case the Government would pay all. But in World War II, Mr. Chairman, 89 percent of the proceeds paid were found to be attributable to the extra hazards of military service. So we are not talking about a great deal, if the situation is similar to World War II.

We quote an insurance industry expert who says that once you find yourself in an emergency situation or a warlike situation, it is not practicable to separate the risks that are due to extra hazards. He points out that really basically the risks due not to extra hazards ought to be borne by the commercial companies; but he says once you find yourself in a warlike situation, they just can't do it. So he said:

We concede that it is all right for the Federal Government to take over the whole obligation.



We feel that the Federal Government is in the best position to provide the service and that insurance by the Federal Government would be most beneficial to the insureds. And we think that they deserve the best. We see no reason to involve the commercial companies.

Under the plan contained in the bill you introduced, Mr. Everett, we see very little part that the commercial companies would play, as we understand the bill. The service department would keep the records. They would take the allotments. The Veterans' Administration would administer the total program. Commercial companies would have an office, which might be a small one. It appears that the principal part that the commercial companies would play would be to realize a profit. We don't object to that. That is what the companies are in business for. But we maintain that indemnifying the lives of servicemen in service under the present conditions and providing some protection to their survivors is not a business world transaction.

That concludes our testimony, Mr. Chairman.

Mr. EVERETT. Thank you, sir.

Mr. SECREST?

Mr. SECREST. As I gather it, you are 100 percent for the Federal Government paying any soldier or any serviceman who may be killed in action or as a result of extrahazardous duty anyplace in the world. You are for that much definitely?

Mr. CORCORAN. Yes, sir.

Mr. SECREST. As to some serviceman who may be in the Pentagon for 2 years, who lives here in Washington, you object to his contribution toward his own insurance?

Mr. CORCORAN. Resolution 125 asks that all servicemen be covered.

Mr. SECREST. Is that the part you haven't studied yet?

Mr. CORCORAN. It isn't so much a question of not having studied it. I think the question you have really asked is: Corcoran, under these circumstances are you for contractual or for indemnity? And unfortunately the NEC, the first week of next month, is going to give me the answer and instruction on that. So I don't have an official position at this time.

Mr. SECREST. I notice here that you say:

I fear many younger servicemen in the lower paid grades would be most prone not to participate, so that would indicate that it should be compulsory if you are going to protect that group.

Mr. CORCORAN. As we also point out that was the experience in World War II. One out of ten didn't have any insurance. Out of all the insurance paid, the average payment was between \$8,000 and \$9,000 rather than the \$10,000. And if you install the group-type plan, this may be your experience again. And who will fail to take it out? The fellow who can least afford it and probably the man who has the greatest obligation to leave something to his survivors.

Mr. SECREST. That would be true, if we went from \$500 in increments, but if we had, say, \$5,000 compulsory for everyone and \$5,000 more elective, or if we had the whole \$10,000 compulsory, there would be no partial payments or cases where no payment is made, as occurred under the World War II program.

Mr. CORCORAN. Agreed.

Mr. EVERETT. Mr. Brown?

Mr. BROWN. No questions.

Mr. EVERETT. Mr. Teague?  
Mr. TEAGUE of California. No questions.  
Mr. EVERETT. Thank you. We are certainly happy to have you.  
Mr. Meadows, do you have any questions?  
STAFF DIRECTOR. Just one point, Mr. Chairman.  
Mr. CORCORAN, you were quoting an insurance expert and you talked about the difficulty that he believed would be encountered in determining the scope of the extrahazardous.  
Mr. CORCORAN. Yes, sir.  
STAFF DIRECTOR. It is true that we got through World War II and the Korean conflict and were able to make that determination, is it not?  
Mr. CORCORAN. Actually, Mr. Meadows, the point that I made was not the one you just described, and I didn't make myself clear. What Mr. Lounsbury said was that there is no great difficulty in determining which deaths are due to extra hazards and which are not; however, when you are in a wartime situation, the most feasible way to progress, rather than going to the administrative problem of straightening them out, is to just let the Federal Government take over the whole obligation.  
STAFF DIRECTOR. You weren't making the point that we probably would get to a situation where we couldn't determine the extrahazardous versus the nonextrahazardous?  
Mr. CORCORAN. No; I didn't make that point.  
Mr. EVERETT. Mr. Patterson, do you have anything?  
COUNSEL. No, sir.  
Mr. EVERETT. Thank you. We certainly appreciate all the contributions you and the members of your staff have made to our committee.  
Mr. CORCORAN. Thank you, sir.  
Mr. EVERETT. Mr. Stover, Veterans of Foreign Wars.  
We are happy to have you.  
And, Mr. Jones, we are happy to have you also.  
If you will file your statement and just summarize it for us, we will certainly appreciate it.

**STATEMENT OF FRANCIS W. STOVER, VETERANS OF FOREIGN WARS, ACCOMPANIED BY NORMAN D. JONES, NATIONAL REHABILITATION DIRECTOR**

Mr. STOVER. Mr. Chairman, members of the subcommittee, the Veterans of Foreign Wars has long held that campaign and expeditionary service for which campaign medals are authorized should be elevated to wartime status for the purpose of veterans' benefits. And in line with this position, we strongly supported S. 2127 when it was considered at a hearing before the Senate Finance Committee. We realized at that time that this bill didn't cover all possible cases and maybe was not the full solution to this matter.

Subsequent to that hearing, our organization met in Chicago, Ill., at our 66th national convention, and our position has been broadened to include wartime benefits for all who are serving in the Armed Forces. And in considering the legislation under consideration here today, our organization reached the conclusion that if it was at all possible, indemnity insurance should be made retroactive to cover

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those extrahazardous deaths which have occurred since the end of the Korean conflict. I don't know what the problems or cost might be, but there have been many deaths like those who were inducted to serve and their airplane crashed on the way to training camp, or submarines have gone down like the *Thresher*, and a lot of other deaths under warlike conditions.

Mr. SECREST. I believe we had testimony yesterday that those deaths of that type, such as where a parachute fails to open, and various other things, amounted to about 500 a month, which is the casualty rate in Vietnam so far.

Mr. STOVER. We have also taken note of your bill, Mr. Chairman, and believe this could be the solution. The main purpose, as I understand, of the Government getting into the life insurance program is that the life insurance industry isn't providing insurance. We all know many policies have war clauses which go into effect whenever a serviceman is serving in a combat zone or under warlike conditions.

If the insurance industry and the veteran and the Government can join together to provide adequate insurance at a very low or minimal cost, it seems that we may have the solution which will be satisfactory to all concerned. I know that 25 cents a thousand has been mentioned, and certainly this sounds like a very, very reasonable cost to a serviceman whose basic pay, I might point out, is considerably more than it was during World War II, at which time, as I recollect, 5-year level premium term insurance was about 65 cents a thousand for a serviceman around 21 years of age.

I might also point out that the \$10,000 figure was set for the national service life insurance program on October 8, 1940, and we don't have to go into the record to know that \$10,000 in 1940 bought a lot more goods, and possessions, and homes, and everything else than it will in 1965.

Mr. EVERETT. Would you recommend \$20,000 rather than the \$10,000?

Mr. STOVER. Yes, sir; we certainly would. Because if Congress is going to give the wartime protection that we gave to our servicemen in World War II, certainly it ought to be a comparable amount under today's scale of prices and cost of living.

Mr. EVERETT. You know, the first quality of a man elected to Congress is: Can he be elected? And so, do you think this would overload the wagon so we couldn't pull it, to make it \$20,000 rather than \$10,000?

Mr. STOVER. I think it should be available if the serviceman wants it and is willing to pay for it.

Mr. EVERETT. Well, don't you think we would get into administrative difficulty in putting him in the position where he could buy anything he wanted? I mean, it's possible this would just keep us in confusion all the time.

Mr. STOVER. I wouldn't advocate anything that would have that result; but the cost of living in the last 25 years, I believe it is substantially correct to state, has doubled since before World War II. But this is not our position and it is mentioned only as a possibility to be considered.

Mr. JONES, would you care to make any comments?

Mr. JONES. Not on that point.

Mr. STOVER. This summarizes my statement here, Mr. Chairman. Mr. Jones would like to make a comment.

Mr. EVERETT. Any questions, Mr. Teague?

Mr. SECREST?

Mr. SECREST. I just want to get it clear. You do not object to this type of legislation?

Mr. STOVER. No, sir; we do not object. In fact, as a general principle I believe our Chicago resolution, No. 244, is authority to support it.

Mr. EVERETT. Mr. Brown?

Mr. BROWN. No questions.

Mr. EVERETT. I take it from your statement that you feel that private enterprise should participate in this program rather than putting the Government back in the life insurance business.

Mr. STOVER. Yes; that is our view so long as the VA administers the program. The private insurance industry is one of the biggest and richest industries in America and they certainly have profited tremendously during the last 25 years. It seems to me they have an obligation to fill this gap which has occurred in our insurance system for active duty servicemen and should be called upon to help out and make a contribution.

Mr. EVERETT. Mr. Teague?

Mr. TEAGUE of California. No questions.

Mr. EVERETT. Mr. Jones, we will be glad to hear from you.

Mr. JONES. Just two or three little points. I heard the discussion previously this morning about whether this should be compulsory. That might have some problems. I think the provision in your bill which says they would have to decline it, would be adequate, provided they could be reinterviewed at the time of departure for overseas, if insurance is provided for them here in the States, or at the time in the combat areas, or periodically.

Mr. EVERETT. Wait just a minute right there. On that point, what about a man in a training accident at Fort Benning, or Fort Riley, or Fort Ord, or somewhere like that? If you say, "Well, there is no use taking it out until you are going over there to be shot at," that man would be without insurance if he was killed in a training accident in the continental United States, wouldn't he?

Mr. JONES. Of course, if it weren't compulsory you always take the chance that a few men would not be covered with insurance at the time. We had that in World War II. In my particular part of the Army, we had to interview our soldiers at intervals as to NSLI, and had almost a hundred percent coverage. But if this provision remains as it is, then I would hope that the Department of Defense would direct periodic reinterviews, either periodically or at other appropriate times, or both; at least that much additional protection, if it isn't going to be compulsory.

I think they would probably do it without statutory direction.

The other thing I would like to comment on is this. Our inclination to support your bill, Mr. Chairman, is based, I think, on two main points. It would probably mean that there would be no restriction on designation of beneficiaries as to individuals in contrast to corporate beneficiaries, and we think would make it more likely that you might enact legislation to provide insurance, or make it available to men now in service regardless of where serving.

Those two things we strongly favor.

Mr. EVERETT. You mean to have the beneficiary anyone he wanted to name?

Mr. JONES. Yes, as long as it is an individual, not a corporation.

Mr. SECREST. As I understand it, under this bill he can leave it to his college, if he has no relatives, or build a monument.

Mr. JONES. We are particularly concerned with individuals as beneficiaries, not so much corporate beneficiaries.

Mr. EVERETT. Under the Talmadge bill he could not name any beneficiary he wished; is that right?

Mr. STOVER. That is right. It was limited as to beneficiaries.

Mr. EVERETT. Yes. Take an example of a boy whose mother and father were both dead and he was raised by an uncle, or aunt, or someone like that. I know several instances down in my section of the country where that happened. Go right ahead, Mr. Secrest.

Mr. JONES. That's all I had, Mr. Chairman. Thank you.

Mr. SECREST. I have nothing further.

Mr. EVERETT. Mr. Brown?

Mr. BROWN. No questions.

Mr. EVERETT. Mr. Teague?

Mr. TEAGUE of California. No questions.

Mr. EVERETT. We certainly appreciate the contribution that you have made to this committee. I assure you we will certainly give it every consideration in executive meeting.

Mr. PATTERSON, or Mr. Meadows?

Mr. SECREST. I might like to clarify just one thing. You expressed no objection if it is compulsory?

Mr. STOVER. If the insurance is as proposed under Mr. Everett's bill.

Mr. SECREST. Everyone in the armed services shall take this insurance at 20 or 25 cents a month per thousand?

Mr. STOVER. We have nothing in our mandates that I know of that we would oppose that.

(Mr. Stover's statement follows:)

STATEMENT OF FRANCIS W. STOVER, DIRECTOR, NATIONAL LEGISLATIVE SERVICE,  
VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and members of the subcommittee, thank you for this opportunity to present the views of the 1,300,000 members of the Veterans of Foreign Wars of the United States with respect to this most important legislation which will benefit active duty personnel who are doing the fighting and dying in combat zones all over the world.

My name is Francis W. Stover and my title is national legislative director.

Earlier this year the VFW supported S. 2127, when this bill was before the Senate, which was in line with a resolution approved by our national convention in 1964 at Cleveland, Ohio. The VFW has always strongly supported legislation that veterans who served in combat zones for which a campaign badge or medal is authorized should have that service elevated to wartime status for the purpose of veterans benefits.

Since the Senate consideration of S. 2127, our position has expanded to support full wartime veterans' benefits for all members of our armed services who serve on active duty. Resolution No. 264, which was unanimously approved by the delegates to the national convention of the Veterans of Foreign Wars of the United States, which was held in Chicago, Ill., August 13 to 20, 1965, reads as follows:

"Be it resolved, by the 66th National Convention of the Veterans of Foreign Wars of the United States, that we fully support full wartime veterans' rights and

benefits for all members of our armed services who serve on active duty in our protracted struggle against Communist aggression."

The Veterans of Foreign Wars favors full insurance protection for all members of our Armed Forces who are serving on active duty. Legislation should not be limited to present and future service but cover retroactive deaths since the end of the Korean war while on active duty. The VFW, therefore, recommends that the delimiting date of January 31, 1955, be established for the purpose of determination of entitlement to this insurance.

The Veterans of Foreign Wars has been painfully aware there is no available dependency indemnity coverage for single men with nondependent parents. Under the present law a parent, to be eligible for dependency and indemnity compensation, must meet a strict means test before payment is made because of the death of their child.

One of the glaring defects of the Survivors Dependency and Indemnity Act was its omission of any benefits to survivors of veterans beyond the immediate dependents or next of kin. Thus, brothers and sisters and nondependent parents are not eligible or entitled to any survivors' benefits under this act.

Where there is a survivor within the permitted class who is entitled to dependency and indemnity payments is one thing. An intolerable situation and a harsh result occurs for those who do not come within the limited class of beneficiaries under this act.

With the death toll mounting in Vietnam, there will be more and more cases where a young man has been killed and leaves no beneficiaries who are eligible in the present or foreseeable future for dependency and indemnity compensation payments.

Insurance for the single serviceman is extremely urgent—especially where private insurance is unobtainable. Rather than amend the dependency and indemnity compensation program, this insurance should be in addition to any benefits available under this highly successful program, which has been in operation since January 1, 1957. It should be available to all and not limited to the limited class of beneficiaries under the dependency and indemnity compensation program.

The Veterans of Foreign Wars has also had brought to its attention a growing number of complaints that commercial life insurance is either not obtainable or extremely difficult to obtain when the serviceman finds that he is scheduled to be shipped to a combat zone. The primary purpose of Government life insurance or indemnity insurance is to fill the void caused by the unavailability of commercial insurance. This was the theory of USGLI when Congress authorized Government life insurance for servicemen of World War I and NSLI in 1940.

The VFW has noted H.R. 10873, introduced by the distinguished chairman of this subcommittee. H.R. 10873 may be the alternative to free indemnity insurance and has the support of the VFW as a substitute to S. 2127 and similar bills.

H.R. 10873 would provide special insurance similar to group life insurance by the payment of a small premium by the serviceman. Such insurance would provide in some manner benefits to the fathers and mothers who have given their son but who are unable to qualify under the Survivors Dependency and Indemnity Act. The serviceman could continue this insurance after discharge, a most desirable feature.

It should be pointed out that \$10,000 is not the same protection as was provided on October 8, 1940, when the NSLI Act went into effect; \$20,000 is a more equitable amount and reflects the increased cost of living in the past 25 years.

The basic underlying reason then for the Government to grant this insurance is because insurance is unavailable to those citizens who are risking their lives daily in areas similar or identical to wartime situations. If it is the policy of this Government to draft young men, then it follows there is an obligation on the part of his Government to pay or indemnify someone when that young man loses his life in carrying out the commitments of this Government.

The Veterans of Foreign Wars endorses legislation to provide adequate insurance coverage for cold war servicemen as provided in our Cariozo mandate H.R. 244 attached. H.R. 10873 appears to be a very satisfactory solution for all concerned—the serviceman, the Government, and the private life insurance industry. We insist on the VA administering the program—any insurance program for veterans.

Thank you for this opportunity to present the views of the Veterans of Foreign Wars with respect to this most urgently needed and meritorious legislation.

It will be deeply appreciated if copies of our 66th national convention Resolutions Nos. 5, 244, and 264 are made a part of my remarks and a part of the hearing

record. It is these resolutions endorsed by the delegates representing 1,300,000 members that authorize our support for this insurance protection for cold-war veterans.

RESOLUTION No. 5. VETERANS GOVERNMENT INSURANCE PROGRAM

*Be it resolved, by the 66th National Convention of the Veterans of Foreign Wars of the United States, That we seek approval of the following recommendations by administrative changes or legislation, as applicable:*

1. Reopen national service life insurance program to those veterans who served in the Armed Forces during the period of October 8, 1940, and December 31, 1956, inclusive.
2. Authorization of waiver of service-connected disabilities for the purpose of reinstating "II", "RII", "J", or "JR" policies (the service-connected disability permitted veterans to obtain the insurance initially).
3. Authorization to waive service-connected disabilities to permit granting of the total disability income provisions on national service life insurance policies.
4. Amendment to section 712, title 38, United States Code, to change the 1-year limit in which to file claim for waiver of premiums for total disability to 3 years.
5. Authorize the Board of Veterans' Appeals to review all decisions affecting rights under the Government insurance program.
6. Authorize \$10,000 gratuitous insurance to members of the Armed Forces who are required to engage in combat or extrahazardous duty.
7. Authorize granting of insurance under Public Law 88-664 to eligible persons on active duty.

Adopted at the 66th National Convention of the Veterans of Foreign Wars of the United States held at Chicago, Ill., August 13 through August 20, 1965.

RESOLUTION No. 244. TO REENACT INSURANCE PROTECTION GRANTED UNDER THE SERVICEMEN'S INDEMNITY ACT OF 1951 (PUBLIC LAW 23, 82d CONG.)

Whereas under date of November 8, 1961, 77 recruits inducted into the U.S. Army were killed in an airplane crash, near Richmond, Va.; during April 1963, 129 servicemen died on the U.S.S. *Thresher*; and

Whereas under current laws they were not protected by Government insurance; and

Whereas national service life insurance coverage was available to all eligible servicemen through April 24, 1951. After that date persons entering the service were automatically extended protection under the Servicemen's Indemnity Act of 1951 (Public Law 23, 82d Cong.). In the event of the serviceman's death while in the active service or within 120 days following his release from service, payments of up to \$92 per month for 10 years were paid to a widow or child, or parents or brothers or sisters of the deceased. Due to the spread out payments, on which interest at 2½ percent a year was paid, the total amount paid was up to \$11,148. The Servicemen's and Veterans Survivor Benefits Act (Public Law 881, 84th Cong.) repealed the Servicemen's Indemnity Act of 1951 effective January 1, 1957, thereby terminating the automatic indemnity provided for persons in the active service and after June 27, 1950, and prior to January 1, 1957. To replace the servicemen's indemnity (so-called \$10,000 "free insurance") the act provided a new form of death compensation designated in the law as "dependency and indemnity compensation," and extended coverage under the social security system to military personnel on a contributory basis. Dependency and indemnity compensation became payable by the Veterans' Administration to widows, children, and dependent parents of persons who died from service-connected causes generally on or after January 1, 1957. Servicemen who were released from service had 120 days or through December 31, 1956, if discharged within 120 days of that date to apply for national service life insurance under Public Law 23, 82d Congress; and

Whereas Public Law 88-664 does not afford protection for persons in service and hostile countries: Now, therefore, be it

*Resolved by the 66th National Convention of the Veterans of Foreign Wars of the United States, That we seek legislation to reenact a genuine insurance protection program to cover retroactively all inservice deaths of those who are uninsured.*

Adopted at the 66th National Convention of the Veterans of Foreign Wars of the United States held at Chicago, Ill., August 13 through August 20, 1965.

RESOLUTION No. 264, WARTIME BENEFITS

Whereas the President of the United States has solemnly proclaimed "this is war"; and

Whereas our Armed Forces are being greatly increased in size, which has resulted in a large increase in the draft; and

Whereas our troops in South Vietnam are suffering death and wounds and exposure to the other hazards of war; and

Whereas U.S. fighting men have been dying in Santo Domingo; and

Whereas our fighting men in the United States and throughout the world are manning the ramparts of freedom against Communist aggression which is based upon a global strategy; and

Whereas the war against Communist aggression must continue to be fought on a worldwide basis with our Armed Forces ready for combat wherever they may be stationed throughout the world; and

Whereas our servicemen who are so engaged in the defense of the United States and the free world are not hesitating to make the supreme sacrifice because the United States is not technically at war with the forces of aggression; and

Whereas it is unfair to deprive our fighting men of wartime benefits in the war they are now fighting merely because of the absence of a technical declaration of war: Now, therefore, be it

*Resolved by the 66th National Convention of the Veterans of Foreign Wars of the United States*, That we fully support full wartime veterans' rights and benefits for all members of our armed services who serve on active duty in our protracted struggle against Communist aggression.

Adopted at the 66th National Convention of the Veterans of Foreign Wars of the United States held at Chicago, Ill., August 13 through August 20, 1965.

Mr. EVERETT. Without objection, I will place in the record a copy of a statement of our colleague, the Honorable Charles S. Joelson, of New Jersey, relating to this matter.

(The statement of Mr. Joelson follows:)

HOUSE OF REPRESENTATIVES,  
Washington, D.C., September 8, 1965.

Hon. OLIN E. TEAGUE,  
Chairman, Veterans' Affairs Committee,  
Cannon House Office Building.

DEAR MR. CHAIRMAN: I enclose a statement which I would appreciate having included in the record of the hearings on bills to provide life insurance protection for members of the armed services.

Sincerely,

CHARLES S. JOELSON,  
Member of Congress.

A STATEMENT IN SUPPORT OF H.R. 10272 AND H.R. 12073, TO PROVIDE LIFE INSURANCE PROTECTION FOR CERTAIN MEMBERS OF THE ARMED SERVICES

Mr. Chairman and members of the committee, I thank you for this opportunity to appear before you and discuss my two bills, H.R. 12072 and H.R. 10273. I introduced these two bills, because they will help correct a serious inequity affecting some members of our Armed Forces. The Armed Forces personnel who would be affected by these bills are performing a dedicated and remarkable service for their country, but while so doing, they have become ineligible for normal insurance coverage that is available for the average American. It is an obligation and a responsibility of our Federal Government to rectify this inequity. I am sure that the American people support any action that would alleviate this injustice.

My bill, H.R. 10272, proposes to amend title 38 of the United States Code so as to provide a program of insurance for members of the Armed Forces who are unable to obtain commercial insurance at standard rates, because of their being assigned to duty in a combat zone or performing extrahazardous duty. This bill would authorize such members of the Armed Forces to acquire Government insurance on the same standard terms as those of the national service life insurance. The provisions of this bill would be applicable only to those members of the Armed Forces that are unable to obtain commercial life insurance at a standard rate. We are not bringing the Government into competition with commercial



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insurance companies by authorizing this special insurance. In fact, in many cases, commercial companies will not write insurance for these personnel covering all contingencies; and even in those cases that they will write policies, the premiums are much higher than standard rates. Thus, what this amendment proposes to do is to provide insurance for those members of the Armed Forces who are performing duties in the service of our country that render them ineligible for standard commercial insurance coverage.

Second, my bill, H.R. 10273, proposes to amend title 38 of the United States Code to provide a program of death indemnification for persons serving in combat zones. The amendment defines "combat zones" to mean any area determined by the President to be an area in which units of the Armed Forces of the United States are engaged in combat operations on or after the date of enactment of this amendment. The countries of Laos, Cambodia, and Vietnam are specifically included within the definition of a combat zone until the President should determine that such countries are no longer combat zones.

The proposed amendment would automatically insure each member of the Armed Forces on active duty in a combat zone against death, while on active duty in a combat zone and for 120 days thereafter. Insurance would be without cost to the members of the Armed Forces on such duty. The insurance provided by this amendment would be in the amount of \$10,000, reduced by the amount of U.S. Government life insurance, national service life insurance, and commercial life insurance held by the insured and in force at the time of his death. Therefore, this amendment proposes to provide up to \$10,000 of Government insurance to the beneficiaries of those members of the Armed Forces killed while on duty in combat zones.

Furthermore, in those cases where members of the Armed Forces in a combat zone have national service life insurance or U.S. Government life insurance, this amendment provides for a waiver of premium on these insurance policies for the period of combat duty and 120 days thereafter; that is, all premiums on the national service life 5-year level premium term insurance would be waived and the portion of premiums on all other forms of insurance which represents the pure insurance risk would be waived.

I feel sure that my concern for members of the Armed Forces of the United States assigned to duty in a combat zone is shared by all patriotic Americans. We must not add to the worries of our personnel assigned to combat duty, the additional worry of the economic security of their families in the event of death. To help relieve them of this worry is the least we can do.

Today, we have soldiers, sailors, marines, and airmen fighting in the jungles of Vietnam. These individuals are gallantly making sacrifices for their country as generations have before them. We ask members of our Armed Forces to fight for the cause of freedom anywhere in the world. And those fighting today are entitled to no less security than we provided the men who fought in World War II or in Korea.

Almost daily we hear of additional Americans who have paid the supreme sacrifice in an effort to uphold our beliefs in freedom and democratic government. And, although the fighting in Vietnam is not a declared war, it is nonetheless bloody and accompanied by death. We have an increasing number of American servicemen who are daily risking their lives in this struggle in southeast Asia. We ask so much of them, and they respond. Certainly they are entitled to ask of us that we make sure their loved ones are provided with some economic security in the event of their death.

Senate bill 2127 which has passed the U.S. Senate seeks to establish a special indemnity insurance for personnel serving in combat zones and addresses much the same problems as my bill, H.R. 10273. In the Senate Report No. 619 explaining S. 2127, the following statement is made relative to the availability of commercial insurance:

"Representatives of the American Life Convention and Life Insurance Association of America submitted very significant testimony at the hearings on this bill. They admitted that because of the conditions in Vietnam a number of life insurance companies have concluded that they will no longer write insurance on a serviceman already in a combat zone or alerted to move to one. Other companies have taken the position that they will write such insurance only with a war exclusion clause. Out of 330 companies who are members of the insurance associations represented by the witnesses, the committee was able to learn of only two, or three at the most, which are continuing to write policies without a war exclusion clause if the soldier is alerted, on his way to, or in a combat zone. Even in these cases there is generally a maximum placed on the amount of insurance

they will issue and, further, it appears that such companies will continue to write such insurance only as long as they receive relatively few applications for it. It was readily apparent to the committee, therefore, that thousands of young men who are being called to service as a result of the current planned buildup of our forces have great difficulty, and in many cases, are unable to secure adequate insurance protection for their families."

I think the above information amply illustrates the necessity for the Congress of the United States to take action to relieve this hardship and injustice. No matter whether we term this a "cold war" or a "hot war," the loss of life has the same injurious effect on families directly concerned. Today, we are enjoying a prosperity unparalleled in the history of mankind. Frankly, we must admit that a great deal of this prosperity is attributable to those who have sacrificed their lives for the cause of freedom. These sacrifices are as great today as ever before. And, our country's future is largely dependent upon the sacrifices of its citizens today.

I feel confident that the American people are anxious to provide this indemnity protection for the families of those who are killed in combat, and also to provide an equitable insurance protection for those who are involved in extrahazardous duties, and who cannot obtain commercial insurance at standard rates. I sincerely believe that favorable congressional action on these proposed amendments would bolster the morale of our Armed Forces personnel.

Mr. EVERETT. The subcommittee has received a statement from Mr. Charles L. Huber of Disabled American Veterans, which will be placed in the record at this point if there is no objection.

STATEMENT OF CHARLES L. HUBER, NATIONAL DIRECTOR OF LEGISLATION,  
DISABLED AMERICAN VETERANS

Mr. Chairman and members of the committee, the Disabled American Veterans deeply appreciates the opportunity given us to appear before you to express our views in connection with the insurance bills under consideration.

At the outset, we wish to reemphasize that the membership of the Disabled American Veterans is comprised of veterans who served honorably during a period of war and who were wounded, injured, or otherwise disabled by reason of such service. Included in the term "during a period of war" are veterans whose wounds, injuries, or diseases were incurred as a result of armed conflict, or while engaged in extrahazardous duty, including service under conditions simulating war.

We recognize, Mr. Chairman, that you and the subcommittee members are making a sincere and honest effort to resolve the insurance problems of young people entering our Armed Forces in this time of crises. We realize that there may arise, during the period of these hearings, some differences of opinion as to the best course to follow, the exact type of legislation which would be most helpful; but there should be no difference of opinion as to the fact that there is a definite need for legislative action.

The Disabled American Veterans advocates the adoption of a program which would provide for life insurance or indemnity payments for the survivors of persons who die as a result of disease or injury incurred in the armed services of the United States. In view of the current emergency situation, and particularly the hostilities now underway in Vietnam, favorable consideration by this committee and the Congress of such an insurance program is, we think, a matter of special importance.

The basis of our policy in this connection is expressed in a resolution which was approved by the Disabled American Veterans national convention held August 1-7, 1965, at New Orleans, La. In essence, the resolution declares that the Disabled American Veterans shall go on record recommending that members of the Armed Forces serving in combat areas be given an opportunity to obtain insurance similar to that accorded members of the Armed Forces of World War II and/or the Korean conflict.

Under terms of this resolution, the DAV National Legislative Service is authorized to propose or support either a program of insurance coverage similar to that provided World War II servicemen under the National Service Life Insurance Act of 1940, or servicemen's indemnity authorized under Public Law 23, 82d Congress, enacted April 25, 1951.

There is a variety of bills under consideration pertaining to automatic gratuitous indemnity insurance. Such a bill is one recently passed by the Senate identified in this bill is patterned after the Servicemen's Indemnity Act of 1951. It would

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provide \$10,000 gratuitous insurance for any person on active duty in the Armed Forces while serving in a combat zone. It would further provide that such person shall be deemed to have been serving in a combat zone at time of his death if he dies outside of a combat zone and (1) his death is determined by the Administrator to have been the direct result of an injury or disease incurred while serving in the combat zone, and (2) the injury or disease from which such person died was incurred not more than 2 years prior to death. Combat zones are to be determined by Presidential proclamation. The indemnity would be payable in 120 equal monthly installments to the surviving spouse, child or children, parents, or brothers and sisters of the insured.

In our testimony before the Senate committee we expressed agreement with the basic purposes and results S. 2127 seeks to achieve. The bill contains a provision relating to beneficiary designations which is commendable to the DAV. The presently existing Survivors Dependency and Indemnity Act has an extremely rigid limitation with respect to parents. We are pleased indeed that no "need clause" has been incorporated in the bill. We saw also in this bill a means of filling the gap of insurance needs for our men in the Armed Forces who are finding it increasingly difficult to obtain insurance through private companies. This is a fact which was made clear in recent testimony before your subcommittee by a representative of the private insurance industry when he said "because of the conditions in Vietnam a majority of the life insurance companies have concluded that they will no longer write insurance on a serviceman already in a combat zone or alerted to move to one, or will write such insurance only with a war exclusion clause."

The DAV supported enactment of the bill for the reason that we felt it had a substantial degree of merit, and for the further reason that its provisions fell within the general scope of our national convention resolution. However, we also felt that certain of its features were too restrictive and required additional study and adjustment. For example, one of the requirements for eligibility under the bill is that the serviceman must have died as a direct result of an injury or disease. This "direct result" requirement is not only vague and difficult to interpret, but it also places a severe limitation upon those potentially eligible. In many instances a disease or injury is a definite contributory factor leading to death, and yet in itself is not the primary or direct cause of death.

It was our recommendation that any injury or disease which caused or "contributed" to a serviceman's death be considered sufficient for eligibility purposes if such injury or disease was incurred in line of duty in a combat zone.

Another item which we brought to attention is the limitation in connection with combat zones as determined specifically by the President of the United States. Members of the Armed Forces who have died in Lebanon, the Dominican Republic, and possibly many other places in the past and in the future may not be entitled to the indemnity insurance protection unless a specific declaration is made. The DAV recommended that this item be broadened to include all areas where our servicemen were, or will be, involved in extrahazardous duty. We also addressed attention to the provision in the bill which stipulates that the disease or injury from which a serviceman dies must be incurred not more than 2 years prior to his death.

As an organization handling many hundreds of thousands of compensation claims, we found this provision hard to accept. There have been countless cases where a veteran has suffered a severe injury or disease and has lingered on for many years prior to death. We are sure that the records of the Veterans' Administration will bear this out in the continuing payments to widows and other dependents of death benefits based upon disability or disease incurred in service. We therefore recommended that the limitation be extended beyond the 2-year period.

Mr. Chairman, several of the insurance bills pending before your subcommittee contain indemnity features somewhat similar to those offered in S. 2127. The DAV national convention insurance resolution is broad enough to admit of many possibilities; and hence we are able to support H.R. 4379 and similar bills which authorize \$10,000 automatic free insurance protection for members of the Armed Forces serving outside the United States. However, the insurance coverage under terms of these bills would be prospective inasmuch as such coverage would commence after the date of enactment.

Reports indicate that more than 700 members of the Armed Forces have already been killed in Vietnam and other areas of hostilities. We feel it only fair that the indemnity coverage should be extended to include the survivors of these deceased servicemen.

Another pending bill titled H.R. 10873, would amend title 38, United States Code, to establish a program of group life insurance which shall be provided by

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private insurance companies for members of the uniformed services who are on active duty.

Essentially, the bill authorizes the VA Administrator to purchase from one or more commercial life insurance companies a group life insurance policy which will automatically insure any serviceman on active duty against death in the amount of \$10,000, unless such serviceman elects in writing (1) not to be insured, or (2) to be insured for less than \$10,000 but not less than \$1,000.

The uniform premium would be deducted from the pay of those covered. The Government would contribute any amount necessary to cover the excess premium cost due to the extra hazards of military service. The group life insurance protection would cease 120 days after separation from active service. The veteran may, however, convert his group insurance without physical examination to a plan written by a commercial company participating in the program. This conversion clause would apply also to the serviceman who has incurred a service-connected disability that rendered him commercially uninsurable at standard rates.

H.R. 10873 and the other bills mentioned earlier, all offer solutions to the insurance problems of people currently being inducted into the U.S. Armed Forces. If it is the decision of the subcommittee that the group insurance proposal embraced in H.R. 10873 represents the most desirable approach for resolving the insurance needs of members of the Armed Forces, and should the subcommittee decide to favorably report the measure, we would respectfully ask that the following amendment be given thoughtful consideration:

"Any serviceman who has died as a result of an injury or disease incurred while serving in a combat zone, and where such death occurred prior to date of enactment of this chapter, shall be deemed to have applied for and to have been granted such insurance as of the date of death, in an amount which, together with any other U.S. Government life insurance or national service life insurance in force, shall aggregate \$10,000. The insurance shall be paid from Federal appropriations."

This proposed amendment would serve to fulfill the Government's firm obligation to the survivors of those who have already given their lives in the defense of our country's freedom.

In conclusion I wish again to thank the subcommittee for affording this opportunity to the Disabled American Veterans to submit its views on this crucial subject.

Mr. EVERETT. Without objection, any additional material pertinent to this subject which may be received by the subcommittee will be inserted at this point in the record.

(The following telegram was subsequently received:)

St. Louis, Mo., September 13, 1965.

Hon. ROBERT A. EVERETT,  
Chairman, House Veterans Affairs Subcommittee on Insurance,  
Cannon House Office Building, Washington, D.C.:

In testifying on behalf of our association before your subcommittee on September 8, Carlyle M. Dunaway stated that we would no longer object to servicemen's indemnity bill S. 2127 provided that it was amended in certain particulars, but that we would be opposed to the enactment of servicemen's group life insurance bill H.R. 10873. Since that time, our board of trustees has learned that H.R. 10873 will be amended to permit a covered serviceman, upon discharge, to convert his group coverage in any company wishing to make itself available for the conversion of such coverage, whether or not it was a participant in the group program. Of even more importance, our board is now convinced that the enactment of S. 2127 would tend to lead to a general reopening of the national service life insurance program. In these circumstances, we wish to advise your subcommittee that we are withdrawing our opposition to H.R. 10873, provided that it is amended in the manner indicated above.

WILLIAM H. GATLING,  
President, the National Association of Life Underwriters.

Mr. EVERETT. Does any other member of the audience have any statement he wants to make?

The hearing is closed.

(Whereupon, at 10:40 a.m., the hearing was closed.)

## GROUP LIFE INSURANCE FOR THE UNIFORMED SERVICES

SEPTEMBER 15, 1965.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. TEAGUE of Texas, from the Committee on Veterans' Affairs, submitted the following

### REPORT

[To accompany H.R. 10873]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 10873) to amend title 38 of the United States Code to establish a program of group life insurance which shall be provided by private insurance companies for members of the uniformed services who are on active duty, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert the following:

That (a) chapter 19 of title 38, United States Code, is amended by redesignating "Subchapter III—General" thereof as "Subchapter IV—General" and by inserting immediately after subchapter II thereof the following new subchapter III:

#### "Subchapter III—Servicemen's Group Life Insurance

##### "§ 765. Definitions

"For the purpose of this subchapter—

"(1) The term 'active duty' means full-time duty as a commissioned or warrant officer, or as an enlisted member of a uniformed service under a call or order to duty that does not specify a period of thirty days or less.

"(2) The term 'member' means a person on active duty in the uniformed services in a commissioned, warrant, or enlisted rank or grade.

"(3) The term 'uniformed services' means the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and Environmental Science Services Administration.

##### "§ 766. Eligible insurance companies

"(a) The Administrator is authorized, without regard to section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), to purchase from one or more life insurance companies a policy or policies of group life insurance to provide the benefits specified in this subchapter. Each such life insurance company must

(1) be licensed to issue life insurance in each of the fifty States of the United States and in the District of Columbia, and (2) as of the most recent December 31 for which information is available to the Administrator, have in effect at least 1 per centum of the total amount of group life insurance which all life insurance companies have in effect in the United States.

"(b) The life insurance company or companies issuing such policy or policies shall establish an administrative office at a place and under a name designated by the Administrator.

"(c) The Administrator shall arrange with the life insurance company or companies issuing any policy or policies under this subchapter to reinsure, under conditions approved by him, portions of the total amount of insurance under such policy or policies with such other life insurance companies (which meet qualifying criteria set forth by the Administrator) as may elect to participate in such reinsurance.

"(d) The Administrator may at any time discontinue any policy or policies which he has purchased from any insurance company under this subchapter.

**"§ 767. Persons insured; amount**

"(a) Any policy of insurance purchased by the Administrator under section 766 of this title shall automatically insure any member of the uniformed services on active duty against death in the amount of \$10,000 from the first day of such duty, or from the date certified by the Administrator to the Secretary concerned as the date Servicemen's Group Life Insurance under this subchapter takes effect, whichever date is the later date, unless such member elects in writing (1) not to be insured under this subchapter, or (2) to be insured in the amount of \$5,000.

"(b) If any member elects not to be insured under this subchapter or to be insured in the amount of \$5,000, he may thereafter be insured under this subchapter or insured in the amount of \$10,000 under this subchapter, as the case may be, upon written application, proof of good health, and compliance with such other terms and conditions as may be prescribed by the Administrator.

**"§ 768. Termination of coverage; conversion**

"Each policy purchased under this subchapter shall contain a provision, in terms approved by the Administrator, to the effect that any insurance thereunder on any member of the uniformed services shall cease (except in the case of members absent without leave) one hundred and twenty days after his separation or release from active duty, and that during the period such insurance is in force the insured upon request to the administrative office established under subsection 766(b) of this title shall be furnished a list of life insurance companies participating in the program established under this subchapter and upon written application (within such period) to the participating company selected by the insured and payment of the required premiums be granted insurance without a medical examination on a plan then currently written by such company which does not provide for the payment of any sum less than the face value thereof or for the payment of an additional amount as premiums if the insured engages in the military service of the United States, to replace the Servicemen's Group Life Insurance in effect on the insured's life under this subchapter. In addition to life insurance companies participating in the program established under this subchapter, such list shall include additional life insurance companies (not so participating) which meet qualifying criteria, terms, and conditions established by the Administrator and agree to sell insurance to members and former members in accordance with the provisions of the preceding sentence. In the case of any member who is absent without leave for a period of more than thirty-one days, insurance under this subchapter shall cease as of the date such absence commenced. Any such member so absent without leave, upon return to duty, may again be insured under this subchapter, but only if he complies with the requirements set forth in section 767(b) of this section.

**"§ 769. Deductions; investment; expenses**

"(a) During any period in which a member is insured under a policy of insurance purchased by the Administrator, under section 766 of this title, there shall be deducted each month from his basic or other pay until separation or release from active duty, an amount determined by the Administrator (which shall be the same for all such members) as the share of the cost attributable to insuring such member under such policy, less any costs traceable to the extra hazard of active duty in the uniformed service. Any amount not deducted from the basic or other pay of a member insured under this subchapter while on active duty, if not otherwise paid, shall be deducted from the proceeds of any insurance thereafter payable to or for the member, or to his estate, by the Administrator to be charged direct

this subsection for insurance under this subchapter may be continued from year to year, except that the Administrator may redetermine such monthly amount from time to time in accordance with experience. No refunds will be made to any member of any such amount properly deducted from his basic or other pay to cover the insurance granted under this subchapter.

"(b) For each month for which any member is so insured, there shall be contributed from the appropriation made for his pay an amount determined by the Administrator and certified to the Secretary concerned to be the cost of such insurance which is traceable to the extra hazard of active duty in the uniformed services. Such cost shall be determined by the Administrator on the basis of the excess mortality suffered by members and former members of the uniformed services insured under this subchapter above that incurred by the male civilian population of the United States of the same age as the median age of members of the uniformed services (disregarding a fraction of a year) as shown by the records of the uniformed services, the primary insurer or insurers, and the Department of Health, Education, and Welfare, together with the most current estimates of such mortality. The Administrator is authorized to make such adjustments regarding such contributions from pay appropriations as may be indicated from actual experience.

"(c) An amount equal to the first amount due on any such insurance may be advanced from current appropriations for active-service pay to any such member, which amount shall constitute a lien upon any service or other pay accruing to the person from whom such advance was made and shall be collected therefrom if not otherwise paid. No disbursing or certifying officer shall be responsible for any loss incurred by reason of such advance.

"(d)(1) The sums withheld from the basic or other pay of members under subsection (a) of this section, and the sums contributed from appropriations under subsection (b) of this section, together with the income derived from any dividends or premium rate adjustments received from insurers shall be deposited to the credit of a revolving fund established in the Treasury of the United States. All premium payments and extra hazard costs on any insurance policy or policies purchased under section 766 of this title and the administrative cost to the Veterans' Administration of insurance issued under this subchapter shall be paid from the revolving fund.

"(2) The Administrator is authorized to set aside out of the revolving fund such amounts as may be required to meet the administrative costs to the Veterans' Administration of insurance issued under this subchapter and all current premium payments and extra hazard costs on any insurance policy or policies purchased under section 766 of this title. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield.

"(3) Notwithstanding the provisions of section 782 of this title, the Administrator shall, from time to time, determine the administrative costs to the Veterans' Administration which in his judgment are properly allocable to insurance issued under this subchapter and shall transfer such cost from the revolving fund to the appropriation 'General operating expenses, Veterans' Administration'.

#### "§ 770. Beneficiaries; payment of insurance

"(a) Any amount of insurance under this subchapter in force on any member or former member on the date of his death shall be paid, upon the establishment of a valid claim therefor, to the person or persons surviving at the date of his death, in the following order of precedence:

"First, to the beneficiary or beneficiaries as the member or former member may have designated by a writing received in the uniformed services prior to such death;

"Second, if there be no such beneficiary, to the widow or widower of such member or former member;

"Third, if none of the above, to the child or children of such member or former member.

"Fourth, if none of the above, to the parents of such member or former member or the survivor of them;

"Fifth, if none of the above, to the duly appointed executor or administrator of the estate of such member or former member;

"Sixth, if none of the above, to other next of kin of such member or former member entitled under the laws of domicile of such member or former member at the time of his death.

"(b) If any person otherwise entitled to payment under this section does not make claim therefor within one year after the death of the member or former member, or if payment to such person within that period is prohibited by Federal statute or regulation, payment may be made in the order of precedence as if such person had predeceased the member or former member, and any such payment shall be a bar to recovery by any other person.

"(c) If, within two years after the death of the member or former member, no claim for payment has been filed by any person entitled under the order of precedence set forth in this section, and neither the Administrator nor the administrative office established by the insurance company or companies pursuant to section 766(b) of this title has received any notice that any such claim will be made, payment may be made to a claimant as may in the judgment of the Administrator be equitably entitled thereto, and such payment shall be a bar to recovery by any other person. If, within four years after the death of the member or former member, payment has not been made pursuant to this section and no claim for payment by any person entitled under this section is pending, the amount payable shall escheat to the credit of the revolving fund referred to in section 769(d).

"(d) The member may elect settlement of insurance under this subchapter either in a lump sum or in 36 equal monthly installments. If no such election is made by the member the beneficiary or beneficiaries may elect settlement either in a lump sum or in 36 equal monthly installments. If the member has elected settlement in a lump sum, the beneficiary or beneficiaries may elect settlement in 36 equal monthly installments.

**"§ 771. Basic tables of premiums; readjustment of rates**

"(a) Each policy or policies purchased under section 766 of this title shall include for the first policy year a schedule of basic premium rates by age which the Administrator shall have determined on a basis consistent with the lowest schedule of basic premium rates generally charged for new group life insurance policies issued to large employers, this schedule of basic premium rates by age to be applied, except as otherwise provided in this section, to the distribution by age of the amount of group life insurance under the policy at its date of issue to determine an average basic premium per \$1,000 of insurance. Each policy so purchased shall also include provisions whereby the basic rates of premium determined for the first policy year shall be continued for subsequent policy years, except that they may be readjusted for any subsequent year, based on the experience under the policy, such readjustment to be made by the insurance company or companies issuing the policy on a basis determined by the Administrator in advance of such year to be consistent with the general practice of life insurance companies under policies of group life insurance issued to large employers.

"(b) The total premiums for the policy or policies shall be the sum of the amounts computed according to the provisions of subsection (a) above and the estimated costs traceable to the extra hazard of active duty in the uniformed services as determined by the Administrator, subject to the provision that such estimated costs traceable to the extra hazard shall be retroactively readjusted annually in accordance with section 769(b).

"(c) Each policy so purchased shall include a provision that, in the event the Administrator determines that ascertaining the actual age distribution of the amounts of group life insurance in force at the date of issue of the policy or at the end of the first or any subsequent year of insurance thereunder would not be possible except at a disproportionately high expense, the Administrator may approve the determination of a tentative average group life premium, for the first or any subsequent policy year, in lieu of using the actual age distribution. Such tentative average premium rate shall be redetermined by the Administrator during any policy year upon request by the insurance company or companies issuing the policy, if experience indicates that the assumptions made in determining the tentative average premium rate for that policy year were incorrect.

"(d) Each policy so purchased shall contain a provision stipulating the maximum premium rate for the first policy year, which charges shall have been determined by the Administrator on a basis consistent with the general level



of such charges made by life insurance companies under policies of group life insurance issued to large employers. Such maximum charges shall be continued from year to year, except that the Administrator may redetermine such maximum charges for any year either by agreement with the insurance company or companies issuing the policy or upon written notice given by the Administrator to such companies at least one year in advance of the beginning of the year for which such redetermined maximum charges will be effective.

"(c) Each such policy shall provide for an accounting to the Administrator not later than ninety days after the end of each policy year, which shall set forth, in a form approved by the Administrator, (1) the amounts of premiums actually accrued under the policy from its date of issue to the end of such policy year, (2) the total of all mortality and other claim charges incurred for that period, and (3) the amounts of the insurers' expense and risk charge for that period. Any excess of the total of item (1) over the sum of items (2) and (3) shall be held by the insurance company or companies issuing the policy as a special contingency reserve to be used by such insurance company or companies for charges under such policy only, such reserve to bear interest at a rate to be determined in advance of each policy year by the insurance company or companies issuing the policy, which rate shall be approved by the Administrator as being consistent with the rates generally used by such company or companies for similar funds held under other group life insurance policies. If and when the Administrator determines that such special contingency reserve has attained an amount estimated by the Administrator to make satisfactory provision for adverse fluctuations in future charges under the policy, any further excess shall be deposited to the credit of the revolving fund established under section 766 of this title. If and when such policy is discontinued, and if after all charges have been made, there is any positive balance remaining in such special contingency reserve, such balance shall be deposited to the credit of the revolving fund, subject to the right of the insurance company or companies issuing the policy to make such deposit in equal monthly installments over a period of not more than two years.

#### "§ 772. Benefit certificates

"The Administrator shall arrange to have each member insured under a policy purchased under section 766 of this title receive a certificate setting forth the benefits to which the member is entitled thereunder, to whom such benefit shall be payable, to whom claims should be submitted, and summarizing the provisions of the policy principally affecting the member. Such certificate shall be in lieu of the certificate which the insurance company or companies would otherwise be required to issue.

#### "§ 773. Forfeiture

"Any person guilty of mutiny, treason, spying, or desertion, or who, because of conscientious objections, refuses to perform service in the Armed Forces of the United States or refuses to wear the uniform of such force, shall forfeit all rights to Servicemen's Group Life Insurance under this subchapter. No such insurance shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States.

#### "§ 774. Advisory Council on Servicemen's Group Life Insurance

"There is hereby established an Advisory Council on Servicemen's Group Life Insurance consisting of the Secretary of the Treasury as Chairman, the Secretary of Defense, the Secretary of Commerce, the Secretary of Health, Education, and Welfare, and the Director of the Bureau of the Budget, each of whom shall serve without additional compensation. The Council shall meet once a year, or oftener at the call of the Administrator, and shall review the operations under this subchapter and advise the Administrator on matters of policy relating to his activities thereunder.

#### "§ 775. Jurisdiction of District Courts

"The district courts of the United States shall have original jurisdiction of any civil action or claim against the United States founded upon this subchapter.

#### "§ 776. Effective date

"The insurance provided for in this subchapter and the deductions and contributions for that purpose shall take effect on the date designated by the Administrator and certified by him to each Secretary concerned."

(b) Section 211(a) of title 38, United States Code, is amended by inserting "775," immediately before "784".

6 GROUP LIFE INSURANCE FOR THE UNIFORMED SERVICES

SEC. 2. The analysis of chapter 19 of title 38, United States Code, is amended (1) by redesignating "SUBCHAPTER III—GENERAL" as "SUBCHAPTER IV—GENERAL" and (2) by inserting after

"760. Waiver of premium payment on due date."

the following:

"SUBCHAPTER III—SERVICEMEN'S GROUP LIFE INSURANCE.

"Sec.

"765. Definitions.

"766. Eligible insurance companies.

"767. Persons insured; amount.

"768. Termination of coverage; conversion.

"769. Deductions; payment; investment; expenses.

"770. Beneficiaries; payment of insurance.

"771. Basic tables of premiums; readjustment of rates.

"772. Benefit certificates.

"773. Forfeiture.

"774. Advisory Council on Servicemen's Group Life Insurance.

"775. Jurisdiction of District Courts.

"776. Effective date."

SEC. 3. (a) In the case of each veteran who died or dies—

(1) as a direct result of actions of hostile forces;

(2) as a direct result of an accident involving a military or naval aircraft or an aircraft under charter to the Department of Defense, Army, Navy, or Air Force;

(3) as a direct result of an explosion of an instrumentality of war; or

(4) while performing service for which incentive pay for hazardous duty or special pay is authorized by section 301, 304, or 310 of title 37, United States Code;

while in the active military, naval, or air service during the period from January 1, 1957, to the date immediately preceding the date on which the Servicemen's Group Life Insurance program is placed in effect pursuant to section 776 of title 38, United States Code, both dates inclusive, the Administrator of Veterans' Affairs shall pay a death gratuity to the widow or widower, child or children, or parent or parents of such veteran, as provided in subsection (b), in an amount not exceeding \$5,000, determined as provided in subsection (c), but only if (A) application is made for such death gratuity within one year after the date of enactment of this Act and (B) the person or persons receiving a death gratuity under this section waive all future rights to death compensation and dependency and indemnity compensation, under title 38, United States Code, on account of the death of such veteran.

(b) The death gratuity authorized by this section shall be paid to the following classes of persons and in the order named—

(1) to the widow or widower of the veteran, if living;

(2) if no widow or widower, to the child or children of the veteran, if living, in equal shares;

(3) if no widow, widower, or child, to the parent or parents of the veteran who last bore that relationship, if living, in equal shares.

(c)(1) The death gratuity authorized by this section shall be \$5,000 reduced by the aggregate amount of (A) United States Government life insurance and national service life insurance paid or payable on account of the death of such veteran and (B) any death compensation or dependency and indemnity compensation received on account of the death of such veteran by the person or persons who receive such death gratuity.

(2) In any case where two or more persons are eligible for a death gratuity under this section on account of the death of the same veteran but one or more of such persons do not waive future death compensation or dependency and indemnity compensation payable under title 38, the Administrator shall pay his or their share of such death gratuity to the person or persons waiving such compensation. However, the death compensation or dependency and indemnity compensation payable to any other person shall not be increased solely as the result of an election and waiver under this section.

(3) The right of any person to payment of a death gratuity under this section shall be conditioned upon his being alive to receive such payment. No person shall have a vested right to any such payment and any payment not made during the person's lifetime shall be paid to the person or persons within the permitted class next entitled to priority, as provided in subsection (b).

(d) Any terms used in this section which are defined in section 101 or 102(b) of title 38, United States Code, shall, for the purposes of this section, have the meanings given to them by such section 101 or 102(b), except that (1) the term "veteran," as used in this section, includes a person who dies while in the active

military, naval, or air service and (2) the term "child" shall not be limited with respect to age or marital status.

(c) Appropriations made to the Veterans' Administration for "Compensation and pensions" shall be available for the payment of death gratuities under this section.

#### EXPLANATION OF THE BILL

The bill provides a group life insurance plan for all members of the uniformed services who are on active duty on and after the effective date designated by the Administrator of Veterans' Affairs. This is expected to be within a matter of days after Presidential approval.

The coverage is automatic, with the serviceman required to take affirmative action to remove himself from the program. The coverage provided is \$10,000 or \$5,000, no other amounts. If the serviceman elects out of the program after the automatic coverage and later applies for readmission, he must be able to meet good health requirements.

Premium rates for servicemen are expected to be \$2 a month for \$10,000 and \$1 per month for \$5,000, including claim and administrative costs. This cost may be adjusted, hopefully downward, as experience dictates.

Premiums would be deducted from the pay of a serviceman by the Department of Defense and remitted to the Veterans' Administration.

The costs traceable to the extra hazards of service will be borne by the Government; otherwise, the program would be self-sustaining, with the deductions from the pay of the serviceman being such as to pay the administrative expenses attributable to the Veterans' Administration.

The cost of the extra hazards of the service are to be determined on an actuarial basis, with the total payment of the Federal Government estimated at about \$4 million a year during a period of hostilities such as exist in Vietnam today. Peacetime costs would not entail any extrahazard contribution, or at most a nominal one. There would be no extrahazard determination on an individual basis.

The mode of settlement is limited to a lump-sum payment or settlement over a 36-month period in equal monthly installments. Selection of the particular mode may be made by the insured, or, if he does not do so, the first beneficiary. The serviceman may designate any person as a beneficiary. If an affirmative designation is not made, the insurance will be paid in the following order:

Widow or widower;

Child or children;

Parents;

If none of the above, to the executor or administrator of the estate;

If none of the above, to the next of kin of such member or former member under the laws of domicile of such member at the time of his death.

Upon discharge from the service, the individual is protected in the full amount of his policy for 120 days; the cost for this being borne by premiums paid during the period of his active service.

At any time during his service but not later than 120 days following the date of his discharge, an individual will have the right to obtain from any one of those insurance companies participating in the program, or other companies who can qualify, an insurance policy.

without medical examination in an amount equal to the group insurance policy under which he was protected during the period of service.

If the man has a service-connected disability, he would be eligible for a commercial policy without medical examination and in addition, would be eligible for a \$10,000 service-disabled veteran's insurance policy administered by the Veterans' Administration. In the latter case, he must apply for this policy within 1 year of the date of establishment of service connection.

The number of participating reinsuring companies would be determined according to qualifying criteria established by the Administrator. The expectation being that the number of such participants would at least equal or closely approximate the number under the existing Federal employees group life insurance plan. It is suggested that the Administrator in arranging for reinsurance of the servicemen's group life insurance will prorate the reinsurance on a basis which will give greater weight to the proportion of life insurance issued by such reinsurers on members of the uniformed services in relation to the total amount of life insurance issued by such reinsurers. The prime insurers would be required to be eligible to do insurance business in all 50 States and the District of Columbia, while the reinsurers would not be so limited.

The group insurance policy would be in addition to any U.S. Government life insurance or national service life insurance which the serviceman might hold at the time he became eligible for the group policy.

Section 1 of the bill contains the provisions described above.

Section 2 of the bill is a technical amendment to title 38, United States Code.

Public Law 881 of the 84th Congress provided three basic benefits to veterans and their survivors. First, it provided a 6-month death gratuity ranging from a minimum of \$800 to a maximum of \$3,000. Secondly, it provided full coverage under the social security system for all members of the Armed Forces. Thirdly, it established a system of dependency and indemnity compensation known as DIC which resulted in payments to a surviving widow of \$120 a month plus 12 percent of the base pay of the person who served. Today this means that the rate ranges from a minimum of \$131 to a maximum of \$377 monthly. No distinction is made between wartime and peacetime deaths.

Section 3 of the bill provides for the period January 1, 1957, and continuing until the effective date of the group insurance plan, a maximum death gratuity of \$5,000 to the widow, child or children, and parents of individuals who served during this period in one of the branches of the Armed Forces and who lost their lives under certain hazardous conditions as a result of such service. Such a gratuity would be payable upon waiver of DIC, described previously. The amount of the death gratuity would be reduced by the amount of any DIC, national service life insurance or U.S. Government life insurance payable in the case. The figure of \$5,000 has a precedent originating in World War II veteran laws when such a payment was authorized under similar conditions. The cost of the program of death gratuities under section 3 is estimated at about \$19.7 million.

Hearings were held on this and related bills before the Subcommittee

The favorable reports from the Veterans' Administration and the Department of Defense follow:

AGENCY REPORTS

VETERANS' ADMINISTRATION,  
Washington, D.C., September 14, 1965.

Hon. OLIN E. TEAGUE,  
Chairman, Committee on Veterans' Affairs,  
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your requests for reports on S. 2127 and H.R. 10873, 89th Congress.

In general, S. 2127 proposes to provide a maximum amount of \$10,000 automatic free "special indemnity insurance" (reduced by the amount of national service or U.S. Government life insurance in force at the time of death) for death while on active duty with the Armed Forces in a combat zone on or after January 1, 1962, or as a direct result of an injury or disease incurred in a combat zone not more than 2 years prior to death. H.R. 10873 would authorize the Administrator of Veterans' Affairs to purchase from one or more commercial life insurance companies a group life insurance policy or policies which would automatically insure each member of the uniformed services on active duty in the amount of \$10,000 unless such member declined to be so insured. A uniform premium would be deducted from the pay of all servicemen and the Government would contribute an amount necessary to cover the costs traceable to the extra hazard of service.

As you know, I appeared before the Subcommittee on Insurance of your committee on September 9, 1965, and briefly discussed the provisions of these two bills and explained the position of the Veterans' Administration with respect to each of them. This further written report is being submitted to supply for the record the attached analyses of S. 2127 and H.R. 10873, discussing in detail the provisions of each bill and certain cost aspects.

For the reasons I expressed in my testimony on September 9, I am unable to recommend favorable action by your committee with respect to S. 2127. The Veterans' Administration, however, supports the principle of group life insurance as proposed in H.R. 10873 and, subject to certain technical and other perfecting amendments, recommends its favorable consideration by the committee.

Advice has been received by the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

W. J. DRIVER, *Administrator.*

DETAILED ANALYSIS OF S. 2127, A BILL TO ESTABLISH A PROGRAM OF FREE "SPECIAL INDEMNITY INSURANCE" FOR MEMBERS OF THE ARMED FORCES SERVING IN COMBAT ZONES, AND DATA REGARDING ADMINISTRATIVE AND OTHER COST ASPECTS OF THE BILL

The bill would provide a maximum amount of \$10,000 free "special indemnity insurance" for members of the Armed Forces against death while on active duty with the Armed Forces in a combat zone,

or death as a direct result of an injury or disease incurred while serving in a combat zone if such injury or disease was incurred not more than 2 years prior to death. If the serviceman was also insured under a contract of U.S. Government life insurance (USGLI) or national service life insurance (NSLI), the indemnity payable would be the difference between the amount of his USGLI and NSLI and \$10,000.

The special indemnity insurance authorized would be payable in 120 equal monthly installments with interest at 2½ percent per annum, and only to the surviving spouse, children, parents, or brothers or sisters of the insured, as those terms are defined in the bill. The insured would have the right to designate the beneficiaries within the classes named, the proportion of the principal amount to be paid to each, and to change beneficiaries within the classes without the consent of the beneficiaries. If the designated beneficiary does not survive the insured, or if the insured did not designate a beneficiary, the indemnity would be payable to the first eligible class of beneficiaries among those named above. In such a case if a class is composed of more than one individual, payments would be made in equal shares among such individuals. Any installments not paid to a beneficiary during his lifetime would be paid to the designated contingent beneficiary, if any; otherwise to the next eligible class of beneficiaries listed. No payment would be authorized to be made to the estate of any deceased person.

The term "combat zone" is defined in S. 2127 as "any area outside the United States determined by the President to be an area in which units of the Armed Forces of the United States have engaged in combat operations on or after January 1, 1962, and before such date as may be determined by Presidential proclamation."

Section 2 of S. 2127 would provide that any serviceman who serves in a combat zone for 30 days or more (or who is ordered to such duty for 30 days or more) and who is insured under a policy of NSLI or USGLI shall be entitled, upon written application, to a waiver (with the right to a refund after termination of combat zone duty) of all premiums paid on term insurance and that portion of any permanent insurance premiums paid representing the cost of the pure insurance risk as determined by the Administrator. It would require that all premiums due during the period the waiver is in effect be timely paid to maintain the insurance in force. The waiver would apply to premiums becoming due after the first day of the first calendar month following the date of enactment of the bill or the first day of the first calendar month following entry into active duty with the Armed Forces in a combat zone, whichever is the later date, and the waiver would continue during the remainder of such continuous active duty in a combat zone and for 120 days thereafter. No premiums would be waived prior to the date of application for such waiver. Any premium waiver granted on a participating contract would render such insurance nonparticipating during the period premium waiver is in effect. Upon certification of the period of combat zone duty by the Secretary of the military department concerned and upon application by the insured (or in death cases by the beneficiary of the insurance), the Administrator would refund to the insured or to the beneficiary the amount of premiums waived.

would be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, would equal the then value of such benefits under such policy. Where life contingencies are involved in the calculation of the value of such benefits, the calculation would be based upon such mortality table or tables as the Administrator may prescribe, with interest at rates prescribed in the bill.

Currently, 38 U.S.C. 417 prohibits the payment of dependency and indemnity compensation to the survivors of any veteran dying after April 30, 1957, who has in effect at the time of his death a contract of NSLI or USGLI under an in-service waiver of premiums (38 U.S.C. 724). S. 2127 would provide that this prohibition shall not apply in the case of waivers granted pursuant to the bill.

The bill also proposes to add a new section 726 to title 38, United States Code, providing that any person entitled to indemnity protection, who was ordered to active duty with the Armed Forces in a combat zone for a period of 30 days or more or who served in such zone for 30 days or more would, upon application in writing made within 120 days after separation from active duty and payment of the required premiums, and without medical examination, be granted post-service insurance. This insurance would be issued upon the same terms and conditions as are contained in standard policies of NSLI except (1) term insurance would not be renewed on the term plan after the insured's 50th birthday; (2) the premium rates for term or permanent plan insurance would be based on the 1958 Commissioners Standard Ordinary Mortality Table; (3) all cash, loan, extended and paid-up insurance values would be based on the 1958 Commissioners Standard Ordinary Mortality Table; (4) all settlements on policies involving annuities would be calculated on the basis of the annuity table for 1949; (5) all calculations in connection with insurance issued under the bill would be based on interest at the rate of 3½ percent per annum; (6) the insurance would include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable; and (7) the insurance and any total disability income provisions attached thereto would be on a nonparticipating basis and all premiums and other collections therefor would be credited to a revolving fund established in the Treasury of the United States. Payments on such insurance and total disability provision would be made directly from such fund. Appropriations would be authorized to the fund. Provision is made for the Secretary of the Treasury to invest in, and to sell and retire, special interest-bearing obligations of the United States for the account of the revolving fund, with interest on such obligations computed under criteria set forth in the bill.

S. 2127 also proposes to amend 38 U.S.C. 3107 relating to apportionment of benefits. Under this provision, if the surviving spouse of a deceased person covered by indemnity insurance has remarried or if any such deceased person's children are not in the custody of the surviving spouse, all or any part of the special indemnity insurance otherwise payable to such spouse could be apportioned by the Administrator on behalf of the surviving children or parents.

Because of the many unknown factors involved, our estimate of the cost of S. 2127, if enacted, is based on certain assumptions. We have been advised that since January 1, 1962, there have been approximately 900 combat zone deaths stemming from injury or disease.

The following estimate utilizes this figure and the assumptions that

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the U.S. Armed Forces in combat zones will be maintained at about 150,000 of which 15,000 will have Government life insurance; and that the annual mortality rates of such forces will be 8 per thousand. These mortality assumptions will result, for the purposes of these cost estimates, in 1,200 deaths per year. The total incurred yearly indemnity cost would therefore be 1,080 times \$11,148 (includes interest factor) or \$12,039,840. Since these benefits, however, are paid in installments over a 10-year period, the annual budgetary cost would be \$2.5 million the first year, of which \$1,100,000 would cover retroactive installments, \$2.7 million the second year, \$4 million the third year, \$5.1 million the fourth year, and \$6.3 million the fifth year. The claims cost of the waiver provision for the remaining 120 deaths would be \$1,200,000 each year. In addition, there will be a small administrative cost of the waiver provision and, although the proposed postservice insurance should be self-sustaining, there will also be some administrative costs for this program.

DETAILED ANALYSIS OF H.R. 10873, A BILL TO ESTABLISH A PROGRAM OF GROUP LIFE INSURANCE PROVIDED BY PRIVATE INSURANCE COMPANIES FOR MEMBERS OF THE UNIFORMED SERVICES ON ACTIVE DUTY

The general purpose of the bill is to establish a program of group life insurance to be provided by private insurance companies for members of the uniformed services who are on active duty.

The bill would amend title 38, United States Code, to authorize the Administrator of Veterans' Affairs to purchase from one or more life insurance companies which are licensed to issue insurance in the 50 States and the District of Columbia and have in effect at least 1 percent of the total amount of group life insurance in effect in the United States a policy or policies which would provide the group life insurance coverage for members of the uniformed services. The life insurance company or companies issuing such a policy would be required to establish an administrative office at a place and under a name designated by the Administrator, and to reinsure, under conditions approved by him, portions of the total amount of insurance under such policy or policies with such other life insurance companies as may elect to participate in such reinsurance. The Administrator may at any time discontinue any such policy or policies so purchased from any insurance company.

The group life insurance authorized under the bill would automatically insure each member of the uniformed service on full-time active duty (under a call or order to duty that does not specify a period of 30 days or less) against death from the first day of such duty, or from the date certified by the Administrator to the Secretary of the uniformed service concerned as the date servicemen's group life insurance takes effect under the bill, whichever date is the later date, and for 120 days after separation or release from such active duty. Each member of the uniformed service would be insured for \$10,000 unless he elects in writing (1) not be insured under the bill, or (2) elects to be insured in an amount less than \$10,000, which must be a multiple of \$500, but not than \$1,000. The insured's premium would be deducted from his basic pay.



Under the bill no person may carry a combined amount of national service life insurance (NSLI) on the term plan, U.S. Government life insurance (USGLI) on the term plan or servicemen's group life insurance (group insurance) in excess of \$10,000 at any one time. Any person insured under permanent plan NSLI or USGLI may be insured under the bill but the amount payable upon maturity of the group insurance may not exceed the difference between the face value of such permanent plan insurance and \$10,000, plus the actual cash value of the permanent plan insurance on the date of the insured's death.

The above limitations in the bill avoid double liability on the part of the United States for deaths traceable to the extra hazard of military or naval service. The Government bears such cost under existing law with respect to participating NSLI and USGLI, and under the bill would bear such cost with respect to group insurance.

In general, under existing law, the excess mortality cost traceable to the extra hazard of military or naval service borne by the United States is an amount which, when added to the reserve of a participating NSLI policy at the time of death of the insured will equal the then value of such benefits under the policy. The reserve value of term policies is always very small, often less than one dollar. Hence, upon maturity of a participating NSLI or USGLI term policy where the death of the insured is traceable to the extra hazard of military or naval service such cost to the Government, for all practical purposes, equals the face amount of the policy if settled in a lump sum, and exceeds the face amount if settlement is made as a life annuity in monthly installments. On the other hand, the cash value of a permanent plan policy is a substantial sum, often amounting to several thousands of dollars. This cash value belongs to the insured and can be withdrawn by him at any time. The bill encourages holders of permanent plan NSLI or USGLI policies to continue such insurance by permitting them to obtain group insurance in an amount of not less than \$1,000, in multiples of \$500 approximating the cash value of their permanent plan policies.

As indicated, the group life insurance authorized under the bill would terminate 120 days after separation or release from active duty. For this purpose any member of the uniformed services who is absent without leave for a period of more than 31 days shall be deemed to have been separated from active duty as of the date such absence commenced. If such a member returns to active duty there will be deducted from his basic pay an amount to cover the premiums for the period he was insured during his absence.

The group life insurance authorized under the bill could be converted to permanent plan insurance at any time at the option of the insured. The insured upon request to the administrative office established by the insurance companies under the bill would be furnished a list of the life insurance companies participating in the program, from which he could select the company with which he wished to place his permanent plan insurance. He would be granted such insurance upon written application to the company of his choice, payment of the required premium, and without medical examination. The permanent plan insurance thus granted would be on a plan then currently written by such company, which does not provide for the payment of any sum less than the face value thereof or for the pay-

ment of additional premiums if the insured engages in the military service of the United States.

The cost of the group life insurance authorized under the bill would be borne in part by the members of the uniformed services and in part by the Government. The premium charge for each \$1,000 group insurance granted would be the same for all members of the uniformed service and would be deducted from their basic pay. Any such charge not so deducted, or otherwise paid, would be deducted from the proceeds of the insurance upon the death of the insured. The insured's share of the first premium due would be advanced from the current appropriation for his pay, and would constitute a lien upon any service or other pay accruing to him.

The Government's share of the cost of the group insurance would be contributed from the appropriation made from the serviceman's pay. It would be an amount determined by the Administrator and certified to the Secretary concerned to be the cost of such insurance traceable to the extra hazard of the performance of active duty in the uniformed services. Such costs would be determined by the Administrator on the basis of the excess mortality suffered by members of the uniformed services on active duty above that incurred by the male civilian population of the United States of the same age as the average age of members of the uniformed services.

The sums withheld from the basic pay of the servicemen and the sums contributed from the appropriations for the extra hazard costs, together with the income derived from any dividends or premium rate adjustments received from insurers would be deposited to a revolving fund established in the Treasury of the United States, and all premium payments to the insurance companies, and the administrative cost of the program to the Veterans' Administration would be paid from such fund. Provision is made for investment of the fund in interest bearing obligations of the United States under criteria set forth in the bill, and for transfer of the administrative costs to the Veterans' Administration from the fund to the appropriation "General operating expenses, Veterans' Administration".

The insured could designate any person or legal entity as beneficiary of his group life insurance. If no designated beneficiary survived the insured or did not file claim within 1 year after death of the insured, payment would be made in the order listed to the widow or widower, child or children, parents, duly appointed executor or administrator of the estate of the insured, or to the next of kin entitled under the laws of the domicile of the member at the time of his death.

The premium rates to be charged by the companies would be determined by the Administrator on a basis consistent with the lowest rates charged large employers for group insurance. Subsequent readjustments would be made if found necessary by experience. Annual reports, accounting for all income and expenses under the policies, would be made by the insuring companies. Any excess of premium income over mortality and expense and risk charges will be held as an interest bearing contingency reserve, for use in meeting future charges or for eventual return to the revolving fund in the Treasury.

Each insured member would receive a certificate setting forth the benefits to which he is entitled, to whom the benefits would be payable, and when claims should be made, and summarizing the provisions of the policy. Such certificate would be in lieu of the certificate which

GROUP LIFE INSURANCE FOR THE UNIFORMED SERVICES 15

the insurance company or companies would otherwise be required to issue.

Any person guilty of mutiny, treason, spying or desertion, or who, because of conscientious objections, refuses to perform service in the Armed Forces of the United States, or refuses to wear the uniform of such service would forfeit all rights to group insurance. No such insurance would be payable for death inflicted as lawful punishment for crime, or for military or naval offense, except when inflicted by an enemy of the United States.

The insurance provided by the bill and the deductions and contributions for that purpose would take effect on the date designated by the Administrator and certified by him to the Secretary of the uniformed service concerned.

STATEMENT OF W. J. DRIVER, ADMINISTRATOR OF VETERANS' AFFAIRS,  
SEPTEMBER 9, 1965

I am pleased to present the views of the Veterans' Administration on S. 2127, 89th Congress, a bill to establish a program of free "special indemnity insurance" for members of the Armed Forces serving in a combat zone, and on H.R. 10873, a bill to establish a program of group life insurance to be provided by private insurance companies for members of the uniformed services who are on active duty.

S. 2127 proposes to provide a maximum amount of \$10,000 automatic free "special indemnity insurance" (reduced by the amount of national service life or U.S. Government life insurance in force at the time of death) for death while on active duty with the Armed Forces in a combat zone (as that term is defined in the bill) on and after January 1, 1962, or as a direct result of an injury or disease incurred in a combat zone not more than 2 years prior to death.

The insured would have the right to designate the beneficiaries of the special indemnity insurance, but only within the classes named: spouse, children, parents, brothers, or sisters of the insured. The benefit would be payable to the surviving beneficiaries over a 10-year period. The bill provides for apportionment of the benefits payable with respect to certain beneficiaries under prescribed criteria.

The bill would also authorize for persons insured under U.S. Government life or national service life insurance, a waiver of all premiums on term insurance and that portion of the premium representing the pure insurance charges on permanent plan insurance during the period they were covered by the special indemnity insurance. Such insureds would have to continue their insurance in force by payment of premiums and apply for a refund after termination of their combat zone duty. Finally, the bill would authorize the issuance of post-service insurance to persons entitled to indemnity protection, under certain conditions.

The general purpose of H.R. 10873 is to authorize the Administrator of Veterans' Affairs to purchase from one or more commercial life insurance companies a group life insurance policy or policies which would automatically insure each member of the uniformed services on active duty in the amount of \$10,000 unless such member declined to be so insured or to be insured in an amount less than \$10,000. A premium—which would be uniform for all servicemen—would be deducted from his pay. The Government would contribute an

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amount to cover the excess mortality cost of such insurance traceable to the extra hazard of service.

The group life insurance granted under the bill would cease 120 days after separation from active duty. While the group insurance was in force the insured could—upon application, payment of the required premiums, and without medical examination—convert to a permanent plan of insurance then written by one of the participating commercial companies selected by the insured.

The group insurance would be payable to the designated beneficiary or beneficiaries selected by the insured. In the absence of a designated beneficiary, the insurance would be payable to the surviving spouse, children, parents, duly appointed executor or administrator of the insured's estate, or to other next of kin under the laws of the domicile of the insured at the time of his death.

The bill specifies certain criteria governing the selection, by the Administrator, of the primary commercial insurer and would require that company to reinsure portions of the total amount of insurance with such other life insurance companies as may elect to participate in the program.

Recently in the course of our consideration of the general field of veterans' benefits—and particularly the aspects with which S. 2127 and H.R. 10873 are concerned—certain factors have become increasingly apparent. First, although it is true that commercial insurance is available without restriction to servicemen who are performing essentially peacetime duties, it is argued that those men who have been alerted for, or who are serving in, a combat zone are not readily able to obtain—at standard rates and without war exclusion clauses—commercial insurance coverage. Second, many of our young servicemen do not have a wife or children. In the event of their death, the program of dependency and indemnity compensation established by the Survivor Benefits Act authorizes benefits for their parents only if they meet a specified "needs" test and for two parents living together no dependency or indemnity compensation benefits are payable if their annual income exceeds \$2,400. It is extremely difficult to devise a change within the framework of the existing program which would provide benefits for nondependent parents within the basic needs concept that has been incorporated in it. Third, there are servicemen who are survived by individuals such as brothers or sisters who are not afforded any benefits under the dependency and indemnity compensation program, but to whom the serviceman may well feel he owes some survivorship protection.

The group life insurance proposal, H.R. 10873, provides a feasible solution to these problems. It would authorize \$10,000 insurance coverage for all men in service; it would make benefits available in those cases where only nondependent parents survive a man killed in service; and it would permit servicemen to designate other beneficiaries now ineligible under the survivor benefits law. Under S. 2127, the indemnity bill, the entire cost would be borne by the Government. Thus, a further gratuity would be superimposed on the existing gratuitous survivor benefits program which, including full Social Security coverage, was carefully evolved by the House of Representatives Select Committee about 10 years ago. On the other hand, H.R. 10873, by requiring premium payments which, in the absence of a very extensive escalation of the military situation, will make the program close to self-supporting. Accordingly, this approach will

make available in every case a reasonable amount of insurance protection, the unavailability of which the sponsors of S. 2127 assert is the basic justification for the indemnity approach.

In the light of the foregoing consideration, I am unable to recommend favorable action on S. 2127, but am pleased to inform the committee that the Veterans' Administration supports the principle of group life insurance as proposed in H.R. 10873. I understand that certain technical and other perfecting amendments to the bill are indicated. In this connection, my staff will be available to the committee at any time to assist in working out such amendments.

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE,  
Washington, D.C., September 13, 1965.

Hon. OLIN E. TEAGUE,  
Chairman, Committee on Veterans' Affairs,  
House of Representatives,  
Washington, D.C.

DEAR MR. CHAIRMAN. Reference is made to your request for the views of the Department of Defense with respect to H.R. 10873, 89th Congress, to amend title 38, United States Code, to establish a program of group life insurance which shall be provided by private insurance companies for members of the uniformed services who are on active duty.

The purpose of H.R. 10873 is as stated in the title. Specifically, it provides that each member of the uniformed services on active duty for more than 30 days would be eligible to participate in group life insurance in an amount not to exceed \$10,000. The Administrator of Veterans' Affairs would be authorized to purchase group life insurance policies from one or more life insurance companies to provide the benefits of the bill. The eligible members of the uniformed services could elect to be covered by group life insurance in any amount more than \$1,000 to a maximum of \$10,000, except that a member could not carry a combined amount of national service life insurance (NSLI) on the term plan, U.S. Government life insurance (USGLI) on the term plan and servicemen's group life insurance in excess of \$10,000 at one time. Members insured under a permanent plan of NSLI or USGLI could be insured under the provisions of the bill but this amount payable under the group life insurance may not exceed the difference between the face value of the permanent plan insurance and \$10,000 plus the actual cash value of his permanent plan insurance.

Upon separation or release from active duty, the member's group life insurance policy would continue to be in effect for 120 days. During the period between separation or release from active duty and 120 days, the member would be eligible to purchase from one of the participating companies, upon written request and payment of premiums, a similar life insurance policy without medical examination, and without a war risk limitation.

The bill provides that the member's share of the cost of the group life insurance policy, except as noted below, may be deducted each month from his basic pay. That portion of the cost traceable to the extra hazard of performance of active duty would be defrayed from the appropriation made for the pay of members of the Armed Forces generally. These moneys would be deposited to a revolving fund established for this purpose. The

Treasury Department could invest these moneys in certain interest-bearing U.S. securities. The premium to the insuring companies would be paid from this revolving fund. The fund would also reimburse the Veterans' Administration for the costs of administering the program.

Under the bill the member would be free to designate beneficiaries of his choice. Where such designation is not made, a priority among survivors is provided.

The Department of Defense strongly supports the principles contained in H.R. 10873 because it contributes to the accomplishment of several objectives favored by the Department. First, the bill provides an immediate, low cost, group insurance program, available to all service personnel with minimum costs accruing to the Federal Government. In so doing, it meets a basic requirement to cover those young members whose nondependent survivors would not qualify for payments under dependency and indemnity laws. Secondly, the bill effects an added inducement to a service career. Thirdly, the bill provides yet another element of a sound financial plan for members and their survivors in event of their death. The Department considers that the bill would contribute importantly to the morale of members of the Armed Forces by remedying certain gaps in the coverage of the Servicemen's and Veterans' Survivor Benefit Act and would also be extremely helpful in connection with the recent difficulty that members of the Armed Forces assigned to Vietnam have encountered in obtaining private insurance.

Since the bill would be administered by the Veterans' Administration, the Department of Defense defers to that agency as to the technical aspects of the bill.

The Department of Defense is unable to estimate the impact of this legislation on the defense budget at this time.

The Bureau of the Budget advises that, from the standpoint of the administration's program, there is no objection to the presentation of this report for the consideration of the committee.

Sincerely,

L. NIEDERLEHNER,  
Acting General Counsel.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

### SECTION 211 AND CHAPTER 19 OF TITLE 38, UNITED STATES CODE

#### § 211. Decisions by Administrator; opinions of Attorney General

(a) Except as provided in sections 775, 784, 1661, 1761, and as to matters arising under chapter 37 of this title, the decisions of the Administrator or, any question of law or fact concerning a claim for benefits or payment made by the Veterans' Administration shall be final and conclusive and no other official or

any court of the United States shall have power or jurisdiction to review any such decision.

(b) The Administrator may require the opinion of the Attorney General on any question of law arising in the administration of the Veterans' Administration.

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## CHAPTER 19—INSURANCE

### SUBCHAPTER I—NATIONAL SERVICE LIFE INSURANCE

- Sec.
- 701. Definitions.
- 702. Premium rates and policy values.
- 703. Amount of insurance.
- 704. Plans of insurance.
- 705. Renewal.
- 706. Policy provisions.
- 707. Dividends to pay premiums.
- 708. Premium payments.
- 709. Effective date of insurance.
- 710. Incontestability.
- 711. Forfeiture.
- 712. Total disability waiver.
- 713. Death before six months' total disability.
- 714. Statutory total disabilities.
- 715. Total disability income provision.
- 716. Insurance which matured before August 1, 1946.
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**Subchapter I—National Service Life Insurance**

**§ 701. Definitions**

For the purposes of this subchapter—

- (1) The term "insurance" means National Service Life Insurance.
- (2) The terms "widow" or "widower" mean a person who as the lawful spouse of the insured at the maturity of the insurance.
- (3) The term "child" means a legitimate child, an adopted child, and, if designated as beneficiary by the insured, a stepchild or an illegitimate child.
- (4) The terms "parent", "father", and "mother" mean a father, mother, father through adoption, mother through adoption, persons who have stood in loco parentis to a member of the military or naval forces at any time before entry into active service for a period of not less than one year, and a stepparent, if designated as beneficiary by the insured.

**§ 702. Premium rates and policy values**

Premium rates for insurance shall be the net rates based upon the American Experience Table of Mortality and interest at the rate of 3 per centum per annum. All cash, loan, paid-up, and extended values, and all other calculations in connection with insurance, shall be based upon said American Experience Table of Mortality and interest at the rate of 3 per centum per annum.

**§ 703. Amount of insurance**

Insurance shall be issued in any multiple of \$500 and the amount of insurance with respect to any one person shall be not less than \$1,000 or more than \$10,000. No person may carry a combined amount of National Service Life Insurance and United States Government life insurance in excess of \$10,000 at any one time.

**§ 704. Plans of insurance**

- (a) Insurance may be issued on the following plans: Five-year level term, ten-year level term, twenty-year level term, twenty-payment life, thirty-payment life, twenty-year endowment, endowment at age sixty, and endowment at age sixty-five. Level premium term insurance may be con-



verted as of the date when any premium becomes or has become due or exchanged as of the date of the original policy, upon payment of the difference in reserve, at any time while such insurance is in force and within the term period to any of the foregoing permanent plans of insurance, except that conversion to an endowment plan may not be made while the insured is totally disabled.

(b) Under such regulations as the Administrator may promulgate a policy of participating insurance may be converted to or exchanged for insurance issued under this subsection on a modified life plan. Insurance issued under this subsection shall be on the same terms and condition as the insurance which it replaces, except (1) the premium rates for such insurance shall be based on the 1958 Commissioners Standard Ordinary Basic Table of Mortality and interest at the rate of 3 per centum per annum; (2) all cash, loan, paid-up, and extended values shall be based on the 1958 Commissioners Standard Ordinary Basic Table of Mortality and interest at the rate of 3 per centum per annum; and (3) at the end of the day preceding the sixty-fifth birthday of the insured the face value of the modified life insurance policy or the amount of extended term insurance thereunder shall be automatically reduced by one-half thereof, without any reduction in premium.

(c) Under such regulations as the Administrator may promulgate, a policy of nonparticipating insurance may be converted to or exchanged for insurance issued under this subsection on a modified life plan. Insurance issued under this subsection shall be on the same terms and conditions as the insurance which it replaces, except that (1) term insurance issued under section 621 of the National Service Life Insurance Act of 1940 shall be deemed for the purposes of this subsection to have been issued under section 723(b) of this title; and (2) at the end of the day preceding the sixty-fifth birthday of the insured the face value of the modified life insurance policy or the amount of extended term insurance thereunder shall be automatically reduced by one-half thereof, without any reduction in premium. Any person eligible for insurance under section 722(a), or section 725 of this title may be granted a modified life insurance policy under this subsection which, subject to exception (2) above, shall be issued on the same terms and conditions specified in section 722(a) or section 725, whichever is applicable.

(d) Any insured whose modified life insurance policy is in force by payment or waiver of premiums on the day before his sixty-fifth birthday may upon written application and payment of premiums made before such birthday be granted National Service Life Insurance, on an ordinary life plan, without physical examination, in an amount of not less than \$500, in multiples of \$250, but not in excess of one-half of the face amount of the modified life insurance policy in force on the day before his sixty-fifth birthday. Insurance issued under this subsection shall be effective on the sixty-fifth birthday of the insured. The premium rate, cash, loan, paid-up, and extended values on the ordinary life insurance issued under this subsection shall be based on the same mortality tables and interest rates as the insurance issued under the modified life policy. Settlements on policies involving annuities on insurance issued under this subsection shall be based on the same mortality or annuity tables and interest rates as the insurance issued under the modified life policy. If the insured is totally disabled on the day before his sixty-fifth birthday and premiums on

his modified life insurance policy are being waived under section 712 of this title or he is entitled on that date to waiver under such section he shall be automatically granted the maximum amount of insurance authorized under this subsection and premiums on such insurance shall be waived during the continuous total disability of the insured.

#### **§ 705. Renewal**

All level premium term policies, except as otherwise provided in this section, shall cease and terminate at the expiration of the term period. At the expiration of any term period any five-year level premium term policy which has not been exchanged or converted to a permanent plan of insurance and which is not lapsed shall be renewed as level premium term insurance without application for a successive five-year period at the premium rate for the attained age without medical examination. However, renewal will be effected in cases where the policy is lapsed only if the lapse occurred not earlier than two months before the expiration of the term period, and reinstatement in such cases shall be under the terms and conditions prescribed by the Administrator. In any case in which the insured is shown by evidence satisfactory to the Administrator to be totally disabled at the expiration of the level premium term period of his insurance under conditions which would entitle him to continued insurance protection but for such expiration, his insurance, if subject to renewal under this section, shall be automatically renewed for an additional period of five years at the premium rate for the then attained age, unless the insured has elected insurance on some other available plan.

#### **§ 706. Policy provisions**

Provisions for cash, loan, paid-up, and extended values, dividends from gains and savings, refund of unearned premiums, and such other provisions as may be found to be reasonable and practicable may be provided for in the policy of insurance from time to time by regulations promulgated by the Administrator.

#### **§ 707. Dividends to pay premiums**

Until and unless the Veterans' Administration has received from the insured a request in writing for payment in cash, any dividend accumulations and unpaid dividends shall be applied in payment of premiums becoming due on insurance subsequent to the date the dividend is payable after January 1, 1952.

#### **§ 708. Premium payments**

The Administrator shall, by regulations, prescribe the time and method of payment of the premiums on insurance, but payments of premiums in advance shall not be required for periods of more than one month each, and may at the election of the insured be deducted from his active-service pay or be otherwise made. An amount equal to the first premium due under a National Service Life Insurance policy may be advanced from current appropriations for active-service pay to any person in the active service in the Army, Navy, Air Force, Marine Corps, or Coast Guard, which amount shall constitute a lien upon any service or other pay accruing to the person for whom such advance was made and shall be collected therefrom if he is not a member of the service. The person shall be responsible for any loss incurred by reason of such advance. Any

amount so advanced in excess of available service or other pay shall constitute a lien on the policy within the provisions of section 3101(b) of this title.

**§ 709. Effective date of insurance**

Insurance may be made effective, as specified in the application, not later than the first day of the calendar month following the date of application therefor, but the United States shall not be liable thereunder for death occurring before such effective date.

**§ 710. Incontestability**

Subject to the provisions of section 711 of this title all contracts or policies of insurance heretofore or hereafter issued, reinstated, or converted shall be incontestable from the date of issue, reinstatement, or conversion except for fraud, nonpayment of premium, or on the ground that the applicant was not a member of the military or naval forces of the United States. However, in any case in which a contract or policy of insurance is canceled or voided after March 16, 1954, because of fraud, the Administrator shall refund to the insured, if living, or if deceased, to the person designated as beneficiary (or if none survives, to the estate of the insured) all money, without interest, paid as premiums on such contract or policy for any period subsequent to two years after the date such fraud induced the Veterans' Administration to issue, reinstate, or convert such insurance less any dividends, loan, or other payment made to the insured under such contract or policy.

**§ 711. Forfeiture**

Any person guilty of mutiny, treason, spying, or desertion, or who, because of conscientious objections, refuses to perform service in the Armed Forces of the United States or refuses to wear the uniform of such force, shall forfeit all rights to National Service Life Insurance. No insurance shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States; but the cash surrender value, if any, of such insurance on the date of such death shall be paid to the designated beneficiary, if living, or otherwise to the beneficiary or beneficiaries within the permitted class in accordance with the order specified in section 716 (b) of this title.

**§ 712. Total disability waiver**

(a) Upon application by the insured and under such regulations as the Administrator may promulgate, payment of premiums on insurance may be waived during the continuous total disability of the insured, which continues or has continued for six or more consecutive months, if such disability began (1) after the date of his application for insurance, (2) while the insurance was in force under premium-paying conditions, and (3) before the insured's sixty-fifth birthday. Notwithstanding any other provision of this chapter, in any case in which the total disability of the insured commenced on or after his sixtieth birthday but before his sixty-fifth birthday, the Administrator shall not grant waiver of any premium becoming due prior to January 1, 1965.

(b) The Administrator, upon any application made after August 1, 1947, shall not grant waiver of any premium becoming due more than one year before the receipt in the Veterans' Administration of applica-

tion for the same, except as provided in this section. Any premiums paid for months during which waiver is effective shall be refunded. The Administrator shall provide by regulations for examination or reexamination of an insured claiming benefits under this section, and may deny benefits for failure to cooperate. If it is found that an insured is no longer totally disabled, the waiver of premiums shall cease as of the date of such finding and the policy of insurance may be continued by payment of premiums as provided in said policy. In any case in which the Administrator finds that the insured's failure to make timely application for waiver of premiums or his failure to submit satisfactory evidence of the existence or continuance of total disability was due to circumstances beyond his control, the Administrator may grant waiver or continuance of waiver of premiums.

(c) If the insured dies without filing application for waiver, the beneficiary, within one year after the death of the insured, or, if the beneficiary is insane or a minor, within one year after removal of such legal disability, may file application for waiver with evidence of the insured's right to waiver under this section. Premium rates shall be calculated without charge for the cost of waiver of premiums provided in this section and no deduction from benefits otherwise payable shall be made on account thereof.

(d) In any case in which an insured has been denied or would have been denied premium waiver under section 602(n) of the National Service Life Insurance Act of 1940 or this section solely because he became totally disabled between the date of valid application for insurance and the subsequent effective date thereof, and in which it is shown that (1) the total disability was incurred in line of duty between October 8, 1940, and July 31, 1946, inclusive, or June 27, 1950, and April 30, 1951, inclusive, and (2) the insured remained continuously so totally disabled to the date of death or the date of enactment of this subsection, whichever is earlier, the Administrator may grant waiver of premiums from the beginning of and during the continuous total disability of such insured. Application for waiver of premiums under this subsection must be filed by the insured or, in the event of his death, by the beneficiary within two years after the date of enactment of this subsection, except that if the insured or the beneficiary be insane or a minor within the two-year period, application for such waiver may be filed within two years after removal of such legal disability, or if an insane insured shall die before the removal of the disability, application may be filed by the beneficiary within two years after the insured's death. No insurance shall be placed in force under this subsection in any case in which there was an award of benefits under the Servicemen's Indemnity Act of 1951 or of gratuitous insurance under section 722(b) of this title. The amount of insurance placed in force hereunder together with any other United States Government life insurance or national service life insurance in force at the time of death, or at the time of the insured's application for waiver hereunder, may not exceed \$10,000 and shall be reduced by the amount of any gratuitous insurance awarded under the National Service Life Insurance Act of 1940. Waiver of premiums under this subsection shall render the insurance nonparticipating during the period such premium waiver is in effect. The cost of waiver of premium and death benefits paid as a result of this subsection shall be borne by the United States.

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**§ 713. Death before six months' total disability**

Whenever premiums are not waived under section 712 of this title solely because the insured died prior to the continuance of total disability for six months, and proof of such facts, satisfactory to the Administrator, is filed by the beneficiary with the Veterans' Administration within one year after the insured's death, his insurance shall be deemed to be in force at the date of his death, and the unpaid premiums shall become a lien against the proceeds of his insurance. If the beneficiary is insane or a minor, proof of such facts may be filed within one year after removal of such legal disability.

**§ 714. Statutory total disabilities**

Without prejudice to any other cause of disability, the permanent loss of the use of both feet, of both hands, or of both eyes, or of one foot and one hand, or of one foot and one eye, or of one hand and one eye, or the total loss of hearing of both ears, or the organic loss of speech, shall be deemed total disability for insurance purposes.

**§ 715. Total disability income provision**

The Administrator shall, except as hereinafter provided, upon application by the insured and proof of good health satisfactory to the Administrator and payment of such extra premium as the Administrator shall prescribe, include in any National Service Life Insurance policy on the life of the insured (except a policy issued under section 620 of the National Service Life Insurance Act of 1940, or section 722 of this title) provisions whereby an insured who is shown to have become totally disabled for a period of six consecutive months or more commencing after the date of such application and before attaining the age of sixty-five and while the payment of any premium is not in default, shall be paid monthly disability benefits from the first day of the seventh consecutive month of and during the continuance of such total disability of \$10 for each \$1,000 of such insurance in effect when such benefits become payable. The total disability provision authorized under this section shall not be issued unless application therefor is made either prior to the insured's fifty-fifth birthday, or before the insured's sixtieth birthday and prior to January 1, 1966. The total disability provision authorized under this section shall not be added to a policy containing the total disability coverage heretofore issued under section 602(v) of the National Service Life Insurance Act of 1940, or the provisions of this section as in effect before January 1, 1965, except upon surrender of such total disability coverage, proof of good health, if required, satisfactory to the Administrator, and payment of such extra premium as the Administrator shall determine is required in such cases. Participating policies containing additional provisions for the payment of disability benefits may be separately classified for the purpose of dividend distribution from otherwise similar policies not containing such benefits.

**§ 716. Insurance which matured before August 1, 1946**

(a) Insurance which matured before August 1, 1946, is payable in the following manner:

(1) If the beneficiary to whom payment is first made was under thirty years of age at the time of maturity, in two hundred and forty equal monthly installments.

(2) If the beneficiary to whom payment is first made was thirty or more years of age at the time of maturity, in equal monthly installments for one hundred and twenty months certain, with such payments continuing during the remaining lifetime of such beneficiary.

(3) If elected by the insured or a beneficiary entitled to make such an election under prior provisions of law, as a refund life income in monthly installments payable for such period certain as may be required in order that the sum of the installments certain, including a last installment of such reduced amount as may be necessary, shall equal the face value of the contract, less any indebtedness, with such payments continuing throughout the lifetime of the first beneficiary. A refund life income optional settlement is not available in any case in which such settlement would result in payments of installments over a shorter period than one hundred and twenty months. If the mode of payment is changed to a refund life income in accordance with prior provisions of law, after payment has commenced, payment of monthly installments will be adjusted as of the date of maturity of such policy with credit being allowed for payments previously made on the insurance.

(b) Such insurance shall be payable only to a widow, widower, child, parent, brother or sister of the insured. Any installments certain of such insurance remaining unpaid at the death of any beneficiary shall be paid in equal monthly installments in an amount equal to the monthly installments paid to the first beneficiary, to the person or persons then in being within the following classes, and in the order named, unless designated by the insured in a different order:

- (1) To the widow or widower of the insured, if living.
- (2) If no widow or widower, to the child or children of the insured, if living, in equal shares.
- (3) If no widow, widower, or child, to the parent or parents of the insured who last bore that relationship, if living, in equal shares.
- (4) If no widow, widower, child, or parent, to the brothers and sisters of the insured, if living, in equal shares.

(c) The provisions of this section shall not be construed to enlarge the classes of beneficiaries heretofore authorized under section 602 (d) of the National Service Life Insurance Act of 1940, for payment of gratuitous insurance.

(d) If no beneficiary of insurance which matured before August 1, 1946, was designated by the insured or if the designated beneficiary did not survive the insured, the beneficiary shall be determined in accordance with the order specified in subsection (b) and the insurance shall be payable in equal monthly installments in accordance with subsection (a). The right of any beneficiary to payment of any installments of such insurance shall be conditioned upon his or her being alive to receive such payments. No person shall have a vested right to any installment or installments of any such insurance and any installments not paid to a beneficiary during such beneficiary's lifetime shall be paid to the beneficiary or beneficiaries within the permitted class next entitled to priority, as provided in subsection (b).

(e) No installments of insurance which matured before August 1, 1946, shall be paid to the heirs or legal representatives as such of the

insured or of any beneficiary, and if no person within the permitted class survives to receive the insurance or any part thereof no payment of the unpaid installments shall be made, except that if the reserve of a contract of converted National Service Life Insurance, together with dividends accumulated thereon, less any indebtedness under such contract, exceeds the aggregate amount paid to beneficiaries, the excess shall be paid to the estate of the insured unless the estate of the insured would escheat under the laws of his place of residence, in which event no payment shall be made. When the amount of an individual monthly payment of such insurance is less than \$5, such amount may, in the discretion of the Administrator, be allowed to accumulate without interest and be disbursed annually.

(f) Any payments of insurance made to a person, represented by the insured to be within the permitted class of beneficiaries, shall be deemed to have been properly made and to satisfy fully the obligation of the United States under such insurance policy to the extent of such payments.

**§ 717. Insurance maturing on or after August 1, 1946**

(a) The insured shall have the right to designate the beneficiary or beneficiaries of insurance maturing on or after August 1, 1946, and shall, subject to regulations, at all times have the right to change the beneficiary or beneficiaries of such insurance without the consent of such beneficiary or beneficiaries.

(h) Insurance maturing on or after August 1, 1946, shall be payable in accordance with the following optional modes of settlement:

(1) In one sum.

(2) In equal monthly installments of from thirty-six to two hundred and forty in number, in multiples of twelve.

(3) In equal monthly installments for one hundred and twenty months certain with such payments continuing during the remaining lifetime of the first beneficiary.

(4) As a refund life income in monthly installments payable for such period certain as may be required in order that the sum of the installments certain, including a last installment of such reduced amount as may be necessary, shall equal the face value of the contract, less any indebtedness, with such payments continuing throughout the lifetime of the first beneficiary; however, such optional settlement shall not be available in any case in which such settlement would result in payments of installments over a shorter period than one hundred and twenty months.

(c) Unless the insured elects some other mode of settlement, such insurance shall be payable to the designated beneficiary or beneficiaries in thirty-six equal monthly installments. The first beneficiary may elect to receive payment under any option which provides for payment over a longer period of time than the option elected by the insured, or if no option has been elected by the insured, in excess of thirty-six months. If the option selected requires payment to any one beneficiary of monthly installments of less than \$10, the amount payable to such beneficiary shall be paid in such maximum number of monthly installments as are a multiple of twelve as will provide a monthly installment of not less than \$10. If the present value of the amount payable at the time any person initially becomes entitled to payment thereof is not sufficient to pay at least twelve monthly installments of not less than \$10 each, such amount shall be payable

in one sum. Options (3) and (4) shall not be available if any firm, corporation, legal entity (including the estate of the insured), or trustee is beneficiary, or in any case in which an endowment contract matures by reason of the completion of the endowment period.

(d) If the beneficiary of such insurance is entitled to a lump-sum settlement but elects some other mode of settlement and dies before receiving all the benefits due and payable under such mode of settlement, the present value of the remaining unpaid amount shall be payable to the estate of the beneficiary. If no beneficiary is designated by the insured, or if the designated beneficiary does not survive the insured or if a designated beneficiary not entitled to a lump-sum settlement survives the insured, and dies before receiving all the benefits due and payable, then the commuted value of the remaining unpaid insurance (whether accrued or not) shall be paid in one sum to the estate of the insured. In no event shall there be any payment to the estate of the insured or of the beneficiary of any sums unless it is shown that any sums paid will not escheat.

#### **§718. Assignments**

(a) Assignments of all or any part of the beneficiary's interest may be made by a designated beneficiary to a widow, widower, child, father, mother, grandfather, grandmother, brother, or sister of the insured, when the designated contingent beneficiary, if any, joins the beneficiary in the assignment, and if the assignment is delivered to the Veterans' Administration before any payments of the insurance shall have been made to the beneficiary. However, an interest in an annuity, when assigned, shall be payable in equal monthly installments in such multiple of twelve as most nearly equals the number of installments certain under such annuity, or in two hundred and forty installments, whichever is the lesser. The provisions of this subsection shall not be applicable to insurance maturing on or after the date of enactment of this sentence.

(b) Except as to insurance granted under the provisions of section 722(b) of this title, any person to whom insurance maturing on or after the date of enactment of this sentence is payable may assign all or any portion of his interest in such insurance to a widow, widower, child, father, mother, grandfather, grandmother, brother, or sister of the insured when the designated contingent beneficiary, if any, joins the beneficiary in the assignment. Such joinder shall not be required in any case in which the insurance proceeds are payable in a lump sum.

#### **§ 719. National Service Life Insurance appropriation**

(a) The National Service Life Insurance appropriation is continued and there is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this chapter and the provisions heretofore prescribed in the National Service Life Insurance Act of 1940, or related Acts, for the payment of liabilities under National Service Life Insurance. Payment from this appropriation shall be made upon and in accordance with awards by the Administrator.

(b) All premiums heretofore and hereafter paid on insurance issued or reinstated under subsections 602(c)(2) and 602(v)(1) of the National Service Life Insurance Act of 1940 where the requirement of good health was waived under such subsections because of a service-incurred injury or disability shall be credited directly to the National



Service Life Insurance appropriation and any payments of benefits heretofore and hereafter made on such insurance shall be made directly from such appropriation.

**§ 720. National Service Life Insurance Fund**

(a) The National Service Life Insurance Fund heretofore created in the Treasury is continued as a permanent trust fund. Except as otherwise provided in this chapter, all premiums paid on account of National Service Life Insurance shall be deposited and covered into the Treasury to the credit of such fund, which, together with interest earned thereon, shall be available for the payment of liabilities under such insurance, including payment of dividends and refunds of unearned premiums. Payments from this fund shall be made upon and in accordance with awards by the Administrator.

(h) The Administrator is authorized to set aside out of such fund such reserve amounts as may be required under accepted actuarial principles to meet all liabilities under such insurance; and the Secretary of the Treasury is authorized to invest and reinvest such fund, or any part thereof, in interest-bearing obligations of the United States or in obligations guaranteed as to principal and interest by the United States, and to sell such obligations for the purposes of such fund.

**§ 721. Extra hazard costs**

(a) The United States shall bear the excess mortality cost and the cost of waiver of premiums on account of total disability traceable to the extra hazard of military or naval service, as such hazard may be determined by the Administrator.

(b) Whenever benefits under insurance become payable because of the death of the insured as the result of disease or injury traceable to the extra hazard of military or naval service, as such hazard may be determined by the Administrator, the liability for payment of such benefits shall be borne by the United States in an amount which, when added to the reserve of the policy at the time of death of the insured will equal the then value of such benefits under such policy. Where life contingencies are involved in the calculation of the value of such benefits of insurance heretofore or hereafter matured, the calculation of such liability or liabilities shall be based upon such mortality table or tables as the Administrator may prescribe with interest at the rate of 3 per centum per annum. The Administrator shall transfer from time to time from the National Service Life Insurance appropriation to the National Service Life Insurance Fund such sums as may be necessary to carry out the provisions of this section.

(c) Whenever the premiums under insurance are waived because of the total disability of the insured as the result of disease or injury traceable to the extra hazard of military or naval service, as such hazard may be determined by the Administrator, the premiums so waived shall be paid by the United States and the Administrator shall transfer from time to time an amount equal to the amount of such premiums from the National Service Life Insurance appropriation to the National Service Life Insurance Fund.

(d) Whenever benefits under the total disability income provision become, or have become, payable because of total disability of the insured as a result of disease or injury traceable to the extra hazard of the military or naval service, as such hazard may be determined by the Administrator, the liability shall be borne by the United States, and the Administrator shall transfer from the National Service Life

Insurance appropriation to the National Service Life Insurance Fund from time to time any amounts which become, or have become, payable to the insured on account of such total disability, and to transfer from the National Service Life Insurance Fund to the National Service Life Insurance appropriation the amount of the reserve held on account of the total disability benefit. When a person receiving such payments on account of total disability recovers from such disability, and is then entitled to continue protection under the total disability income provision, the Administrator shall transfer to the National Service Life Insurance Fund a sum sufficient to set up the then required reserve on such total disability benefit.

(e) Any disability for which a waiver was required as a condition to tendering a person a commission under Public Law 816, Seventy-seventh Congress, shall be deemed to be a disability resulting from an injury or disease traceable to the extra hazard of military or naval service for the purpose of applying this section.

#### **§ 722. Service disabled veterans' insurance**

(a) Any person who is released from active military, naval, or air service, under other than dishonorable conditions on or after April 25, 1951, and is found by the Administrator to be suffering from a disability or disabilities for which compensation would be payable if 10 per centum or more in degree and except for which such person would be insurable according to the standards of good health established by the Administrator, shall, upon application in writing made within one year from the date service-connection of such disability is determined by the Veterans' Administration and payment of premiums as provided in this subchapter, be granted insurance by the United States against the death of such person occurring while such insurance is in force. If such a person is shown by evidence satisfactory to the Administrator to have been mentally incompetent during any part of the one-year period, application for insurance under this section may be filed within one year after a guardian is appointed or within one year after the removal of such disability as determined by the Administrator, whichever is the earlier date. If the guardian was appointed or the removal of the disability occurred before January 1, 1959, application for insurance under this section may be made within one year after that date. Insurance granted under this section shall be issued upon the same terms and conditions as are contained in the standard policies of National Service Life Insurance except (1) the premium rates for such insurance shall be based on the Commissioners 1941 Standard Ordinary Table of Mortality and interest at the rate of 2¼ per centum per annum; (2) all cash, loan, paid-up, and extended values shall be based upon the Commissioners 1941 Standard Ordinary Table of Mortality and interest at the rate of 2¼ per centum per annum; (3) all settlements on policies involving annuities shall be calculated on the basis of The Annuity Table for 1949, and interest at the rate of 2¼ per centum per annum; (4) insurance granted under this section shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited directly to a revolving fund in the Treasury of the United States, and any payments on such insurance shall be made directly from such fund. Appropriations to such fund are hereby authorized. As to insurance issued under this section, waiver of premiums pursuant to section 602(n) of the National Service Life Insurance Act of 1940

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and section 712 of this title shall not be denied on the ground that the service-connected disability became total before the effective date of such insurance.

(b)(1) Any person who, on or after April 25, 1951, was otherwise qualified for insurance under the provisions of section 620 of the National Service Life Insurance Act of 1940, or under subsection (a) of this section, but who did not apply for such insurance and who is shown by evidence satisfactory to the Administrator (A) to have been mentally incompetent from a service-connected disability, (i) at the time of release from active service, or (ii) during any part of the one-year period from the date the service connection of a disability is first determined by the Veterans' Administration, or (iii) after release from active service but is not rated service-connected disabled by the Veterans' Administration until after death; and (B) to have remained continuously so mentally incompetent until date of death; and (C) to have died before the appointment of a guardian, or within one year after the appointment of a guardian; shall be deemed to have applied for and to have been granted such insurance, as of the date of death, in an amount which, together with any other United States Government or National Service life insurance in force, shall aggregate \$10,000. The date to be used for determining whether such person was insurable according to the standards of good health established by the Administrator, except for the service-connected disability, shall be the date of release from active service or the date the person became mentally incompetent, whichever is the later.

(2) Payments of insurance granted under subsection (b)(1) of this section shall be made only to the following beneficiaries and in the order named—

(A) to the widow or widower of the insured, if living and while unmarried;

(B) if no widow or widower entitled thereto, to the child or children of the insured, if living, in equal shares;

(C) if no widow or widower or child entitled thereto, to the parent or parents of the insured who last bore that relationship, if living, in equal shares.

(3) No application for insurance payments under this subsection shall be valid unless filed in the Veterans' Administration within two years after the date of death of the insured or before January 1, 1961, whichever is the later, and the relationship of the applicant shall be proved as of the date of death of the insured by evidence satisfactory to the Administrator. Persons shown by evidence satisfactory to the Administrator to have been mentally or legally incompetent at the time the right to apply for death benefits expires, may make such application at any time within one year after the removal of such disability.

(4) Notwithstanding the provisions of section 717 of this title, insurance under this subsection shall be payable at the election of the first beneficiary in 240 equal monthly installments or under the options specified in section 717(b) (3) or (4) of this title. Any installments certain of insurance remaining unpaid at the death of any beneficiary shall be paid in equal monthly installments in an amount equal to the monthly installments paid to the first beneficiary, to the person or persons then in being within the classes specified in subsection (b)(2) of this section and in the order named.

(5) The right of any beneficiary to payment of any installments shall be conditioned upon his or her being alive to receive such payments. No person shall have a vested right to any installment or installments of any such insurance and any installments not paid to a beneficiary during such beneficiary's lifetime shall be paid to the beneficiary or beneficiaries within the permitted class next entitled to priority, as provided in subsection (b)(2) of this section. No installments of such insurance shall be paid to the heirs or legal representatives as such of the insured or of any beneficiary, and if no person within the permitted class survives to receive the insurance or any part thereof no payment of the unpaid installments shall be made.

**§ 723. Veterans' special term insurance**

(a) Insurance heretofore granted under the provisions of section 621 of the National Service Life Insurance Act of 1940, against the death of the policyholder occurring while such insurance is in force, is subject to the same terms and conditions as are contained in standard policies of National Service Life Insurance on the five-year level premium term plan except (1) such insurance may not be exchanged for or converted to insurance on any other plan; (2) the premium rates for such insurance shall be based on the Commissioners 1941 Standard Ordinary Table of Mortality and interest at the rate of 2¼ per centum per annum; (3) all settlements on policies involving annuities shall be calculated on the basis of The Annuity Table for 1949, and interest at the rate of 2¼ per centum per annum; (4) such insurance and any total disability provision added thereto shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited to a revolving fund in the Treasury of the United States and the payments on such term insurance and any total disability provision added thereto shall be made directly from such fund. Appropriations to such fund are hereby authorized.

(b) Any term insurance heretofore issued under section 621 of the National Service Life Insurance Act of 1940, may be converted to a permanent plan of insurance or exchanged for a policy of limited convertible five-year level premium term insurance issued under this subsection. Insurance issued under this subsection shall be issued upon the same terms and conditions as are contained in the standard policies of National Service Life Insurance except (1) after September 1, 1960, limited convertible term insurance may not be issued or renewed on the term plan after the insured's fiftieth birthday; (2) the premium rates for such limited convertible term or permanent plan insurance shall be based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (3) all settlements on policies involving annuities on insurance issued under this subsection shall be calculated on the basis of The Annuity Table for 1949, and interest at the rate of 2½ per centum per annum; (4) all cash, loan, paid-up, and extended values, and, except as otherwise provided in this subsection, all other calculations in connection with insurance issued under this subsection shall be based on table X-18 (1950-54 Intercompany Table of Mortality) and interest at the rate of 2½ per centum per annum; (5) insurance and any total disability provision added thereto issued under this subsection shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited directly to the revolving fund referred to in subsection (a)

and payments on such insurance and any total disability provision added thereto shall be made directly from such fund.

(c) The Administrator is authorized to invest in, and the Secretary of the Treasury is authorized to sell and retire, special interest-bearing obligations of the United States for the account of the revolving fund with a maturity date as may be agreed upon by the Administrator and Secretary. The rate of interest on such obligations shall be fixed by the Secretary of the Treasury at a rate equal to the rate of interest, computed as of the end of the month preceding the date of issue of such obligations, borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt that are not due or callable until after the expiration of five years from the date of original issue; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligations shall be the multiple of one-eighth of 1 per centum nearest such average rate.

(d) The Administrator shall determine the amount in the revolving fund referred to in subsection (a) of this section which is in excess of the actuarial liabilities of such fund including contingency reserves. Such excess shall be paid in cash as a special dividend, without interest, subject to the conditions provided in this subsection. The Administrator shall determine the administrative cost to the Veterans' Administration of paying such dividend, which cost shall be deducted from the excess and transferred to the appropriations "General operating expenses—Veterans' Administration". Insurance issued under section 621 of the National Service Life Insurance Act of 1940 or converted or exchanged under subsection (b) of this section, which was in force by waiver or timely payment of premiums or as paid-up or extended term insurance during one of the premium months beginning with the month of November 1960 and ending with the month of January 1961, may be eligible for the special dividend, subject to such conditions, other than specified in this subsection, as the Administrator shall determine to be reasonable and practicable. The dividend shall be paid as soon as practicable after whichever of the following dates is the latest:

- (1) the date of enactment of this subsection in case of insurance heretofore converted or exchanged under subsection (b) of this section;

- (2) the date insurance issued under section 621 is converted or exchanged under subsection (b) of this section if such conversion or exchange is made within two years after the date of enactment of this subsection; or

- (3) the date of death of the policyholder where insurance issued under section 621 is not converted or exchanged and such death occurs on or after the premium due date in November 1960 and before the expiration of two years after the date of enactment of this subsection.

(e) After March 1, 1961, the Administrator shall from time to time transfer from the revolving fund referred to in subsection (a) of this section to general fund receipts in the Treasury such amounts as he determines are in excess of the actuarial liabilities of the fund including contingency reserves.

**§ 724. In-service waiver of premiums**

(a) Waiver of all premiums on five-year level premium term insurance and that portion of any permanent insurance premiums representing the cost of the pure insurance risk, as determined by the Administrator, granted on National Service Life Insurance or United States Government life insurance under section 622 of the National Service Life Insurance Act of 1940 and in effect on January 1, 1959, shall, unless canceled, continue in effect according to the provisions of such section for the remainder of the insured's continuous active service and for one hundred and twenty days thereafter. Such premium waiver renders the contract of insurance nonparticipating during the period the waiver is in effect.

(b) Whenever benefits become payable because of the maturity of such insurance while under the premium waiver continued by this section, liability for payment of such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits under such policy. Where life contingencies are involved in the calculation of the value of such benefits, the calculation of such liability or liabilities shall be based upon such mortality table or tables as the Administrator may prescribe with interest at the rate of 2½ per centum per annum as to insurance issued under sections 620 and 621 of the National Service Life Insurance Act of 1940, at the rate of 3 per centum per annum as to other National Service Life Insurance, and 3½ per centum per annum as to United States Government life insurance. The Administrator shall transfer from time to time from the National Service Life Insurance appropriation to the National Service Life Insurance Fund and from the military and naval insurance appropriation to the United States Government Life Insurance Fund such sums as may be necessary to carry out the provisions of this section.

**§ 725. Limited period for acquiring insurance**

(a) Any person (other than a person referred to in subsection (f) of this section) heretofore eligible to apply for National Service Life Insurance after October 7, 1940, and before January 1, 1957, who is found by the Administrator to be suffering (1) from a service-connected disability or disabilities for which compensation would be payable if 10 per centum or more in degree and except for which such person would be insurable according to the standards of good health established by the Administrator; or (2) from a non-service-connected disability which renders such person uninsurable according to the standards of good health established by the Administrator and such person establishes to the satisfaction of the Administrator that he is unable to obtain commercial life insurance at a substandard rate, shall, upon application in writing made within one year after the effective date of this section, compliance with the health requirements of this section and payment of the required premiums, be granted insurance under this section.

(b) If, notwithstanding the applicant's service-connected disability, he is insurable according to the standards of good health established by the Administrator, the insurance granted under this section shall be issued upon the same terms and conditions as are contained in the standards and policies of National Service Life Insurance except (1) five-year level premium term insurance may not be issued; (2) the net

premium rates shall be based on the 1958 Commissioners Standard Ordinary Basic Mortality Table, increased at the time of issue by such an amount as the Administrator determines to be necessary for sound actuarial operations, and thereafter such premiums may be adjusted as the Administrator determines to be so necessary but at intervals of not less than two years; (3) an additional premium to cover administrative costs to the Government as determined by the Administrator at times of issue shall be charged for insurance issued under this subsection and for any total disability income provision attached thereto, and thereafter such costs may be adjusted as the Administrator determines to be necessary but at intervals of not less than five years; (4) all cash, loan, extended and paid-up insurance values shall be based on the 1958 Commissioners Standard Ordinary Basic Mortality Table; (5) all settlements on policies involving annuities shall be calculated on the basis of The Annuity Table for 1949; (6) all calculations in connection with insurance issued under this subsection shall be based on interest at the rate of 3½ per centum per annum; (7) the insurance shall include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable; (8) the insurance and any total disability income provision attached thereto shall be on a nonparticipating basis and all premiums and other collections therefor shall be credited to a revolving fund established in the Treasury of the United States and the payments on such insurance and total disability income provision shall be made directly from such fund.

(c) If the applicant's service-connected disability or disabilities render him uninsurable according to the standards of good health established by the Administrator, or if the applicant has a non-service-connected disability which renders him uninsurable according to the standards of good health established by the Administrator and such person establishes to the satisfaction of the Administrator that he is unable to obtain commercial life insurance at a substandard rate and such uninsurability existed as of the date of approval of this section, the insurance granted under this section shall be issued upon the same terms and conditions as are contained in standard policies of National Service Life Insurance, except (1) five-year level premium term insurance may not be issued; (2) the premiums charged for the insurance issued under this subsection shall be increased at the time of issue by such an amount as the Administrator determines to be necessary for sound actuarial operations and thereafter such premiums may be adjusted from time to time as the Administrator determines to be necessary; for the purpose of any increase at time of issue or later adjustment the service-connected group and the non-service-connected group may be separately classified; (3) an additional premium to cover administrative costs to the Government as determined by the Administrator at the time of issue shall be charged for insurance issued under this subsection and for any total disability income provision attached thereto (for which the insured may subsequently become eligible) and thereafter such costs may be adjusted as the Administrator determines to be necessary but at intervals of not less than five years and for this purpose the service-connected and non-service-connected can be separately classified; (4) the insurance and any total disability income provision attached thereto shall be on a nonparticipating basis; (5) all settlements on policies involving annuities shall be calculated on the basis of The Annuity Table for 1949; (6) all calculations in

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connection with insurance issued under this subsection shall be based on interest at the rate of  $3\frac{1}{2}$  per centum per annum; (7) the insurance shall include such other changes in terms and conditions as the Administrator determines to be reasonable and practicable; (8) all premiums and other collections on the insurance and any total disability income provision attached thereto shall be credited to the National Service Life Insurance appropriation, and the payments on such insurance and total disability income provision shall be made directly from such appropriation. Appropriations necessary to carry out the provisions of this subsection are hereby authorized.

(d)(1) There is authorized to be appropriated such sums as may be required to provide capital for the revolving fund to carry out the purpose of subsection (b) of this section. Such appropriations shall be advanced to the revolving fund as needed and shall bear interest as determined by the Secretary of the Treasury, taking into consideration the average yield on all marketable interest-bearing obligations of the United States of comparable maturities then forming a part of the public debt and shall be repaid to the Treasury over a reasonable period of time.

(2) The Administrator is authorized to set aside out of the revolving fund established under subsection (b) of this section such reserve amounts as may be required under accepted actuarial principles to meet all liabilities on insurance issued under subsection (b) of this section and any total disability income provision attached thereto. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield.

(3) Notwithstanding the provisions of section 782 of this title, the Administrator shall, from time to time, determine the administrative costs to the Government which in his judgment are properly allocable to insurance issued under this section and any total disability income provision attached thereto, and shall transfer from the revolving fund, or the National Service Life Insurance appropriation, as appropriate, the amount of such cost allocable to the Veterans' Administration to the appropriation "General Operating Expenses, Veterans' Administration," and the remainder of such cost to the general fund receipts in the Treasury. The initial administrative costs of issuing insurance under this section and any total disability income provision attached thereto shall be so transferred over such period of time as the Administrator determines to be reasonable and practicable.

(e) Notwithstanding the provisions of section 782 of this title, a medical examination (including any supplemental examination or tests) when required of an applicant for issuance of insurance under



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this section or any total disability income provisions attached thereto shall be at the applicant's own expense by a duly licensed physician.

(f) No insurance shall be granted under this section to any person referred to in section 107 of this title or to any person while on active duty or active duty for training under a call or order to such duty for a period of thirty-one days or more.

**Subchapter II--United States Government Life Insurance**

**§ 740. Definition**

For the purposes of this subchapter, the term "insurance" means United States Government life insurance.

**§ 741. Amount of insurance**

United States Government life insurance shall be issued against death or total permanent disability in any multiple of \$500 and not less than \$1,000 or more than \$10,000. No person may carry a combined amount of National Service Life Insurance and United States Government life insurance in excess of \$10,000 at any one time.

**§ 742. Plans of insurance**

(a) Regulations shall provide for the right to convert insurance on the five-year level premium term plan into ordinary life, twenty-payment life, endowment maturing at age sixty-two, and into other usual forms of insurance as may be prescribed by the Administrator. Provision shall be made for reconversion of any such policies to a higher premium rate or, upon proof of good health satisfactory to the Administrator, to a lower premium rate, in accordance with regulations to be issued by the Administrator. No reconversion shall be made to a five-year level premium term policy.

(b) An insured who on or after his sixty-fifth birthday has a five-year level premium term policy of insurance in force by payment of premiums may exchange such policy for insurance on a special endowment at age ninety-six plan upon written application; payment of the required premium; and surrender of the five-year level premium term policy and any total disability provision attached thereto with all rights, title, and interests thereunder. However, if it is found by the Administrator subsequent to the exchange that prior thereto the term policy matured because of total permanent disability of the insured or that he was entitled to total disability benefits under the total disability provision attached to such policy, the insured, upon surrender of the special endowment at age ninety-six policy and any provision for waiver of premiums issued under subsection (c) of this section with all rights, title, and interest thereunder, will be entitled to benefits payable under the prior contract. In such case, the cash value less any indebtedness on the endowment policy shall be refunded together with any premiums paid on a provision for waiver of premiums. Insurance on the special endowment at age ninety-six plan shall be issued at the attained age of the insured upon the same terms and conditions as are contained in standard policies of United States Government Life Insurance except:

(1) the insurance shall not mature and no benefits shall be paid thereunder because of total permanent disability;

(2) the premiums for such insurance shall be as prescribed by the Administrator;

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(3) such insurance cannot be exchanged, converted, or recon-  
verted to any other plan of insurance;

(4) all cash, loan, paid-up, and extended term insurance values  
shall be as prescribed by the Administrator; and

(5) the insurance shall be subject to such other changes in  
terms and conditions as the Administrator determines to be rea-  
sonable and practicable.

(c) The Administrator shall, upon application made by the insured  
at the same time as he exchanges his term policy for an endowment  
policy issued under the provisions of subsection (b) of this section,  
and upon payment of such extra premium as the Administrator shall  
prescribe, include in such endowment policy a provision for waiver  
of premiums on the policy and on the provision during the total per-  
manent disability of the insured, if such disability began after the  
date of such application and while the policy and the provision are in  
force by payment of premiums. The Administrator shall not grant  
waiver of any premium becoming due more than one year before  
receipt in the Veterans' Administration of claim for the same, except  
as provided in this subsection. Any premiums paid for months dur-  
ing which waiver is effective shall be refunded. The Administrator  
shall provide by regulations for examination or reexamination of an  
insured claiming waiver of premiums under this subsection, and may  
deny waiver for failure to cooperate. If it is found that an insured  
is no longer totally and permanently disabled, the waiver of premiums  
shall cease as of the date of such finding and the policy and provision  
may be continued by payment of premiums as provided therein. In  
any case in which the Administrator finds that the insured's failure  
to make timely claim for waiver of premiums, or his failure to submit  
satisfactory evidence of the existence or continuance of total per-  
manent disability was due to circumstances beyond his control, the  
Administrator may grant waiver or continuance of waiver of pre-  
miums. If the insured dies without filing claim for waiver, the bene-  
ficiary, within one year after the death of the insured, or, if the  
beneficiary is insane or a minor, within one year after removal of such  
legal disability, may file claim for waiver with evidence of the insured's  
right to waiver under this subsection. Policies containing a provision  
for waiver of premiums issued under this subsection may be separately  
classified for the purpose of dividend distribution from otherwise  
similar policies not containing such provision.

§ 743. Premiums

The premium rates for insurance shall be the net rates based upon  
the American Experience Table of Mortality and interest at 3½ per  
centum per annum. Regulations shall prescribe the time and method  
of payment of premiums, but payments of premiums in advance shall  
not be required for periods of more than one month each, and may  
be deducted from the pay or deposit of the insured or be otherwise  
made at his election.

§ 744. Policy provisions

(a) Provisions for maturity at certain ages, for continuous install-  
ments during the lifetime of the insured or beneficiaries, or both, for  
refund of premiums, cash, loan, paid-up and extended values, divi-  
dends from gains and savings, and such other provisions for the pro-  
tection and advantage of and for alternative benefits to the insured  
and the beneficiaries as may be found to be reasonable and practicable

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may be provided for in insurance contracts or from time to time by regulations.

(b) All calculations on insurance shall be based upon the American Experience Table of Mortality and interest at 3½ per centum per annum, except that no deduction shall be made for continuous installments during the life of the insured in case his total and permanent disability continues more than two hundred and forty months.

(c) On and after July 19, 1939, the rate of interest charged on any loan secured by a lien on insurance shall not exceed 5 per centum per annum.

**§ 745. Renewal**

(a) Effective July 23, 1953, at the expiration of any term period any insurance policy issued on the five-year level premium term plan which has not been exchanged or converted to a permanent plan of insurance and which is not lapsed shall be renewed as level premium term insurance without application for a successive five-year period at the premium rate for the attained age without medical examination. However, on and after such date renewal shall be effected in cases where the policy is lapsed only if the lapse occurred not earlier than two months before the expiration of the term period, and reinstatement in such cases shall be under the terms and conditions prescribed by the Administrator. In any case where the five-year level premium term period expired between July 23, 1953, and December 31, 1953, both dates inclusive, under the conditions set forth in the preceding sentence, the insured, notwithstanding the expiration of an intervening five-year period, shall have not less than six months following the date of enactment of this title within which to meet the terms and conditions prescribed by the Administrator under the preceding sentence.

(b) This section shall take effect on the date of enactment of this title.

**§ 746. Dividends to pay premiums**

Until and unless the Veterans' Administration has received from the insured a request in writing for payment of dividends in cash or that the dividends be placed on deposit in accordance with the provisions of his policy, any regular annual dividends shall be applied in payment of premiums becoming due on insurance after the date the dividend is payable on or after December 31, 1958.

**§ 747. Incontestability**

Subject to the provisions of section 754 of this title all contracts or policies of insurance heretofore or hereafter issued, reinstated, or converted shall be incontestable from the date of issuance, reinstatement, or conversion, except for fraud, nonpayment of premiums, or on the ground that the applicant was not a member of the military or naval forces of the United States. The insured under such contract or policy may, without prejudicing his rights, elect to make claim to the Veterans' Administration or to bring suit under section 784 of this title on any prior contract or policy, and if found entitled thereto, shall, upon surrender of any subsequent contract or policy, be entitled to payments under the prior contract or policy. In any case in which a contract or policy of insurance is canceled or voided after March 16, 1954, because of fraud, the Administrator shall refund to the insured, if living, or, if deceased, to the person designated as beneficiary (or if

none survives, to the estate of the insured) all money, without interest, paid as premiums on such contract or policy for any period subsequent to two years after the date such fraud induced the Veterans' Administration to issue, reinstate, or convert such insurance less any dividends, loan, or other payment made to the insured under such contract or policy.

**§ 748. Total disability provision**

The Administrator shall include in United States Government life insurance policies provision whereby an insured, who is totally disabled as a result of disease or injury for a period of four consecutive months or more before attaining the age of sixty-five years and before default in payment of any premium, shall be paid disability benefits at the rate of \$5.75 monthly for each \$1,000 of insurance in force when total disability benefits become payable. The amount of such monthly payment under the provisions of this section shall not be reduced because of payment of permanent and total disability benefits under the insurance policy. Such payments shall be effective as of the first day of the fifth consecutive month, and shall be made monthly during the continuance of such total disability. Such payments shall be concurrent with or independent of permanent and total disability benefits under the insurance policy. In addition to the monthly disability benefits the payment of premiums on the life insurance and for the total disability benefits authorized by this section shall be waived during the continuance of such total disability. Regulations shall provide for reexaminations of beneficiaries under this section; and, in the event that it is found that an insured is no longer totally disabled, the waiver of premiums and payment of benefits shall cease and the insurance policy, including the total disability provision, may be continued by payment of premiums as provided in said policy and the total disability provision. Neither the dividends nor the amount payable in any settlement under any United States Government life insurance policy shall be decreased because of disability benefits granted under the provisions of this section. The payment of total disability benefits shall not prejudice the right of any insured, who is totally and permanently disabled, to permanent and total disability benefits under his insurance policy. The provision authorized by this section shall not be included in any United States Government life insurance policy heretofore or hereafter issued, except upon application, payment of premium by the insured, and proof of good health satisfactory to the Administrator. The benefit granted under this section shall be on the basis of multiples of \$500, and not less than \$1,000 or more than the amount of insurance in force at time of application. The Administrator shall determine the amount of the monthly premium to cover the benefits of this section, and in order to continue such benefits in force the monthly premiums shall be payable until the insured attains the age of sixty-five years or until the prior maturity of the policy. In all other respects such monthly premium shall be payable under the same terms and conditions as the regular monthly premium on the United States Government life insurance policy.

**§ 749. Change of beneficiary**

Subject to regulations, the insured shall at all times have the right

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ment life insurance policy without the consent of such beneficiary or beneficiaries.

**§ 750. Payment to estates**

If no beneficiary of insurance is designated by the insured, either in his lifetime or by his last will and testament, or if the designated beneficiary does not survive the insured, then there shall be paid to the estate of the insured the present value of the remaining unpaid monthly installments. If the designated beneficiary survives the insured and dies before receiving all of the installments of insurance payable and applicable, then there shall be paid to the estate of such beneficiary the present value of the remaining unpaid monthly installments. No payments shall be made to any estate which under the laws of the residence of the insured or the beneficiary, as the case may be, would escheat, but same shall escheat to the United States and be credited to the United States Government Life Insurance Fund.

**§ 751. Payment of insurance**

United States Government life insurance, except as provided in this subchapter, shall be payable in two hundred and forty equal monthly installments. When the amount of an individual monthly payment is less than \$5, such amount may in the discretion of the Administrator be allowed to accumulate without interest and be disbursed annually.

**§ 752. Optional settlement**

The Administrator may provide in insurance contracts for optional settlements, to be selected by the insured, whereby such insurance may be made payable either in one sum or in installments for thirty-six months or more. A provision may also be included in such contracts authorizing the beneficiary to elect to receive payment of the insurance in installments for thirty-six months or more, but only if the insured has not exercised his right of election as provided in this subchapter. Even though the insured may have exercised his right of election the beneficiary may elect to receive such insurance in installments spread over a greater period of time than that selected by the insured.

**§ 753. Assignments**

Any person to whom United States Government life insurance shall be payable may assign his interest in such insurance to the spouse, child, grandchild, parent, brother, sister, uncle, aunt, nephew, niece, brother-in-law, or sister-in-law of the insured. Insofar as applicable, the definitions contained in section 3 of the World War Veterans' Act, 1924, in effect on December 31, 1958, shall apply to this section.

**§ 754. Forfeiture**

No yearly renewable term insurance or United States Government life insurance shall be payable for death inflicted as a lawful punishment for crime or military offense, except when inflicted by the enemy. In such cases the cash surrender value of United States Government life insurance, if any, on the date of such death shall be paid to the designated beneficiary, if living, or if there be no designated beneficiary alive at the death of the insured the said value shall be paid to the estate of the insured.

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**§ 755. United States Government Life Insurance Fund**

(a) All premiums paid on account of United States Government life insurance shall be deposited and covered into the Treasury to the credit of the United States Government Life Insurance Fund and shall be available for the payment of losses, dividends, refunds, and other benefits provided for under such insurance, including such liabilities as shall have been or shall hereafter be reduced to judgment in a district court of the United States or the United States District Court for the District of Columbia. Payments from this fund shall be made upon and in accordance with awards by the Administrator.

(b) The Administrator is authorized to set aside out of the funds so collected such reserve funds as may be required, under accepted actuarial principles, to meet all liabilities under such insurance; and the Secretary of the Treasury is authorized to invest and reinvest the said United States Government Life Insurance Fund, or any part thereof, in interest-bearing obligations of the United States or bonds of the Federal farm-loan banks and to sell said obligations of the United States or the bonds of the Federal farm-loan banks for the purposes of such Fund.

**§ 756. Military and naval insurance appropriation**

All sums heretofore or hereafter appropriated for the military and naval insurance appropriation and all premiums collected for yearly renewable term insurance deposited and covered into the Treasury to the credit of this appropriation shall be made available to the Veterans' Administration. All premiums that may hereafter be collected for yearly renewable term insurance shall be deposited and covered into the Treasury for the credit of this appropriation. Such sum is made available for the payment of the liabilities of the United States incurred under contracts of yearly renewable term insurance. Payments from this appropriation shall be made upon and in accordance with the awards by the Administrator.

**§ 757. Extra hazard costs**

(a) The United States shall bear the excess mortality and disability cost resulting from the hazards of war on United States Government life insurance.

(b) Whenever benefits under United States Government life insurance become, or have become, payable because of total permanent disability of the insured or because of the death of the insured as a result of disease or injury traceable to the extra hazard of the military or naval service, as such hazard may be determined by the Administrator, the liability shall be borne by the United States. In such cases the Administrator shall transfer from the military and naval insurance appropriation to the United States Government Life Insurance Fund a sum which, together with the reserve of the policy at the time of maturity by total permanent disability or death, will equal the then value of such benefits. When a person receiving total permanent disability benefits under a United States Government life insurance policy recovers from such disability and is then entitled to continue a reduced amount of insurance, the Administrator shall transfer to the military and naval insurance appropriation all of the loss reserve to the credit of such policy claim except a sum sufficient to set up the then required reserve on the reduced amount of the insurance that may

be continued, which sum shall be retained in the United States Government Life Insurance Fund for the purpose of such reserve.

(c) Whenever benefits under the total disability provision become, or have become, payable because of total disability of the insured as a result of disease or injury traceable to the extra hazard of the military or naval service, as such hazard may be determined by the Administrator, the liability shall be borne by the United States, and the Administrator shall transfer from the military and naval insurance appropriation to the United States Government life Insurance Fund from time to time any amounts which become or have become payable to the insured on account of such total disability, and shall transfer from the United States Government Life Insurance Fund to the military and naval insurance appropriation the amount of the reserve held on account of the total disability benefit. When a person receiving such payments on account of total disability recovers from such disability and is then entitled to continued protection under the total disability provision, the Administrator shall transfer to the United States Government Life Insurance Fund a sum sufficient to set up the then required reserve on such total disability benefit.

(d) Any disability for which a waiver was required as a condition to tendering a person a commission under Public Law 816, Seventy-seventh Congress, shall be deemed to be a disability resulting from an injury or disease traceable to the extra hazard of military or naval service for the purpose of applying this section.

#### § 758. Statutory total permanent disability

Without prejudice to any other cause of disability, the permanent loss of the use of both feet, of both hands, or of both eyes, or of one foot and one hand, or of one foot and one eye, or of one hand and one eye, or the loss of hearing of both ears, or the organic loss of speech, shall be deemed total permanent disability for insurance purposes. This section shall be deemed to be in effect on and after April 6, 1917, and shall apply only to automatic insurance, yearly renewable term insurance, and United States Government life insurance issued prior to December 15, 1936.

#### § 759. Waiver of disability for reinstatement

(a) In the event that all provisions of the rules and regulations other than the requirements as to the physical condition of the applicant have been complied with, an application for reinstatement, in whole or in part, of lapsed United States Government life insurance may be approved if made within two years after the date of lapse and if the applicant's disability is the result of an injury or disease, or of an aggravation thereof, suffered or contracted in the active military or naval service during the period beginning April 6, 1917, and ending July 2, 1921, and the applicant during his lifetime submits proof satisfactory to the Administrator showing that he is not totally and permanently disabled. As a condition to the acceptance of an application for reinstatement under this section, the applicant shall be required to pay all the back monthly premiums which would have become payable if such insurance had not lapsed, together with interest at the rate of 5 per centum per annum, compounded annually, on each premium from the date said premium is due by the terms of the policy.

(b) Premium liens established under the provisions of section 304 of the World War Veterans' Act, 1924, shall continue to bear interest at the rate of 5 per centum per annum, compounded annually, and will

be deducted from any settlement of insurance to which they are attached.

**§ 760. Waiver of premium payments on due date**

(a) The Administrator is authorized to provide by regulations for waiving the payment of premiums on United States Government life insurance on the due date thereof and the insurance may be deemed not to lapse in the cases of the following persons: (1) those who are confined in hospital under the Veterans' Administration for a compensable disability during the period while they are so confined; (2) those who are rated as temporarily totally disabled by reason of any injury or disease entitling them to compensation during the period of such total disability and while they are so rated; (3) those who, while mentally incompetent and for whom no legal guardian had been or has been appointed, allowed or may allow their insurance to lapse during the period for which they have been or hereafter may be rated mentally incompetent, or until a guardian has notified the Veterans' Administration of his qualification, but not later than six months after appointment of a guardian. In mentally incompetent cases the waiver is to be made without application and retroactive when necessary. Relief from payment of premiums on the due date thereof shall be for full calendar months, beginning with the month in which said confinement to hospital, the temporary total disability rating, or the mental incompetency began or begins and ending with that month during the half or major fraction of which such persons are no longer entitled to waiver as provided above.

(b) All premiums the payment of which when due is waived as provided in this section shall bear interest at the rate of 5 per centum per annum, compounded annually, from the due date of each premium, and if not paid by the insured shall be deducted from the insurance in any settlement thereunder, or when the same matures either because of permanent total disability or death. In the event any lien or other indebtedness established by this section or prior corresponding provision of law exists against any policy of United States Government life insurance in excess of the then cash surrender value thereof at the time of the termination of such policy of insurance for any reason other than by death or total permanent disability the Administrator is authorized to transfer and pay from the military and naval insurance appropriation to the United States Government Life Insurance Fund a sum equal to the amount such lien or indebtedness exceeds the then cash surrender value.

**Subchapter III—Servicemen's Group Life Insurance**

**§ 765. Definitions**

*For the purpose of this subchapter—*

(1) The term "active duty" means full-time duty as a commissioned or warrant officer or as an enlisted member of a uniformed service under a call or order to duty that does not specify a period of thirty days or less.

(2) The term "member" means a person on active duty in the uniformed services in a commissioned, warrant, or enlisted rank or grade.



(3) *The term "uniformed services" means the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and Environmental Science Services Administration.*

**§ 766. Eligible insurance companies**

(a) *The Administrator is authorized, without regard to section 3709 of the Revised Statutes, as amended (41 U.S.C. 5), to purchase from one or more life insurance companies a policy or policies of group life insurance to provide the benefits specified in this subchapter. Each such life insurance company must (1) be licensed to issue life insurance in each of the fifty States of the United States and in the District of Columbia, and (2) as of the most recent December 31 for which information is available to the Administrator, have in effect at least 1 per centum of the total amount of group life insurance which all life insurance companies have in effect in the United States.*

(b) *The life insurance company or companies issuing such policy or policies shall establish an administrative office at a place and under a name designated by the Administrator.*

(c) *The Administrator shall arrange with the life insurance company or companies issuing any policy or policies under this subchapter to reinsure, under conditions approved by him, portions of the total amount of insurance under such policy or policies with such other life insurance companies (which meet qualifying criteria set forth by the Administrator) as may elect to participate in such reinsurance.*

(d) *The administrator may at any time discontinue any policy or policies which he has purchased from any insurance company under this subchapter.*

**§ 767. Persons insured; amount**

(a) *Any policy of insurance purchased by the Administrator under section 766 of this title shall automatically insure any member of the uniformed services on active duty against death in the amount of \$10,000 from the first day of such duty, or from the date certified by the Administrator to the Secretary concerned as the date Servicemen's Group Life Insurance under this subchapter takes effect, whichever date is the later date, unless such member elects in writing (1) not to be insured under this subchapter, or (2) to be insured in the amount of \$5,000.*

(b) *If any member elects not to be insured under this subchapter or to be insured in the amount of \$5,000, he may thereafter be insured under this subchapter or insured in the amount of \$10,000 under this subchapter, as the case may be, upon written application, proof of good health, and compliance with such other terms and conditions as may be prescribed by the Administrator.*

**§ 768. Termination of coverage; conversion**

*Each policy purchased under this subchapter shall contain a provision, in terms approved by the Administrator, to the effect that any insurance thereunder on any member of the uniformed services shall cease (except in the case of members absent without leave) one hundred and twenty days after his separation or release from active duty, and that during the period such insurance is in force the insured upon request to the administrative office established under subsection 766(b) of this title shall be furnished a list of life insurance companies participating in the program established under this subchapter and upon written application (within such period) to the participating company selected by the insured and payment of the*

on a plan then currently written by such company which does not provide for the payment of any sum less than the face value thereof or for the payment of an additional amount as premiums if the insured engages in the military service of the United States, to replace the Servicemen's Group Life Insurance in effect on the insured's life under this subchapter. In addition to life insurance companies participating in the program established under this subchapter, such list shall include additional life insurance companies (not so participating) which meet qualifying criteria, terms, and conditions established by the Administrator and agree to sell insurance to members and former members in accordance with the provisions of the preceding sentence. In the case of any member who is absent without leave for a period of more than thirty-one days, insurance under this subchapter shall cease as of the date such absence commenced. Any such member so absent without leave, upon return to duty, may again be insured under this subchapter, but only if he complies with the requirements set forth in section 767(b) of this section.

**§ 769. Deductions; payment; investment; expenses**

(a) During any period in which a member is insured under a policy of insurance purchased by the Administrator, under section 766 of this title, there shall be deducted each month from his basic or other pay until separation or release from active duty an amount determined by the Administrator (which shall be the same for all such members) as the share of the cost attributable to insuring such member under such policy, less any costs traceable to the extra hazard of active duty in the uniformed service. Any amount not deducted from the basic or other pay of a member insured under this subchapter while on active duty, if not otherwise paid, shall be deducted from the proceeds of any insurance thereafter payable. The initial monthly amount determined by the Administrator to be charged under this subsection for insurance under this subchapter may be continued from year to year, except that the Administrator may redetermine such monthly amount from time to time in accordance with experience. No refunds will be made to any member of any such amount properly deducted from his basic or other pay to cover the insurance granted under this subchapter.

(b) For each month for which any member is so insured, there shall be contributed from the appropriation made for his pay an amount determined by the Administrator and certified to the Secretary concerned to be the cost of such insurance which is traceable to the extra hazard of active duty in the uniformed services. Such cost shall be determined by the Administrator on the basis of the excess mortality suffered by members and former members of the uniformed services insured under this subchapter above that incurred by the male civilian population of the United States of the same age as the median age of members of the uniformed services (disregarding a fraction of a year) as shown by the records of the uniformed services, the primary insurer or insurers, and the Department of Health, Education, and Welfare, together with the most current estimates of such mortality. The Administrator is authorized to make such adjustments regarding such contributions from pay appropriations as may be indicated from actual experience.

(c) An amount equal to the first amount due on any such insurance may be advanced from current appropriations for active-service pay to any such member, which amount shall constitute a lien upon any service or other pay accruing to the person from whom such advance was made and

shall be collected therefrom if not otherwise paid. No disbursing or certifying officer shall be responsible for any loss incurred by reason of such advance.

(d)(1) The sums withheld from the basic or other pay of members under subsection (a) of this section, and the sums contributed from appropriations under subsection (b) of this section, together with the income derived from any dividends or premium rate adjustments received from insurers shall be deposited to the credit of a revolving fund established in the Treasury of the United States. All premium payments and extra hazard costs on any insurance policy or policies purchased under section 766 of this title and the administrative cost to the Veterans' Administration of insurance issued under this subchapter shall be paid from the revolving fund.

(2) The Administrator is authorized to set aside out of the revolving fund such amounts as may be required to meet the administrative costs to the Veterans' Administration of insurance issued under this subchapter and all current premium payments and extra hazard costs on any insurance policy or policies purchased under section 766 of this title. The Secretary of the Treasury is authorized to invest in and to sell and retire special interest-bearing obligations of the United States for the account of the revolving fund. Such obligations issued for this purpose shall have maturities fixed with due regard for the needs of the fund and shall bear interest at a rate equal to the average market yield (computed by the Secretary of the Treasury on the basis of market quotations as of the end of the calendar month next preceding the date of issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligation shall be the multiple of one-eighth of 1 per centum nearest such market yield.

(3) Notwithstanding the provisions of section 782 of this title, the Administrator shall, from time to time, determine the administrative costs to the Veterans' Administration which in his judgment are properly allocable to insurance issued under this subchapter and shall transfer such cost from the revolving fund to the appropriation "General operating expenses, Veterans' Administration".

#### **§ 770. Beneficiaries; payment of insurance**

(a) Any amount of insurance under this subchapter in force on any member or former member on the date of his death shall be paid, upon the establishment of a valid claim therefor, to the person or persons surviving at the date of his death, in the following order of precedence:

First, to the beneficiary or beneficiaries as the member or former member may have designated by a writing received in the uniformed services prior to such death;

Second, if there be no such beneficiary, to the widow or widower of such member or former member;

Third, if none of the above, to the child or children of such member or former member and descendants of deceased children by representation;

Fourth, if none of the above, to the parents of such member or former member or the survivor of them;

Fifth, if none of the above, to the duly appointed executor or administrator of the estate of such member or former member;

Sixth, if none of the above, to other next of kin of such member or former member entitled under the laws of domicile of such member or former member at the time of his death.

(b) If any person otherwise entitled to payment under this section does not make claim therefor within one year after the death of the member or former member, or if payment to such person within that period is prohibited by Federal statute or regulation, payment may be made in the order of precedence as if such person had predeceased the member or former member, and any such payment shall be a bar to recovery by any other person.

(c) If, within two years after the death of the member or former member, no claim for payment has been filed by any person entitled under the order of precedence set forth in this section, and neither the Administrator nor the administrative office established by the insurance company or companies pursuant to section 766(b) of this title has received any notice that any such claim will be made, payment may be made to a claimant as may in the judgment of the Administrator be equitably entitled thereto, and such payment shall be a bar to recovery by any other person. If, within four years after the death of the member or former member, payment has not been made pursuant to this section and no claim for payment by any person entitled under this section is pending, the amount payable shall escheat to the credit of the revolving fund referred to in section 769(d).

(d) The member may elect settlement of insurance under this subchapter either in a lump sum or in 36 equal monthly installments. If no such election is made by the member the beneficiary or beneficiaries may elect settlement either in a lump sum or in 36 equal monthly installments. If the member has elected settlement in a lump sum, the beneficiary or beneficiaries may elect settlement in 36 equal monthly installments.

#### § 771. Basic tables of premiums; readjustment of rates

(a) Each policy or policies purchased under section 766 of this title shall include for the first policy year a schedule of basic premium rates by age which the Administrator shall have determined on a basis consistent with the lowest schedule of basic premium rates generally charged for new group life insurance policies issued to large employers, this schedule of basic premium rates by age to be applied, except as otherwise provided in this section, to the distribution by age of the amount of group life insurance under the policy at its date of issue to determine an average basic premium per \$1,000 of insurance. Each policy so purchased shall also include provisions whereby the basic rates of premium determined for the first policy year shall be continued for subsequent policy years, except that they may be readjusted for any subsequent year, based on the experience under the policy, such readjustment to be made by the insurance company or companies issuing the policy on a basis determined by the Administrator in advance of such year to be consistent with the general practice of life insurance companies under policies of group life insurance issued to large employers.

(b) The total premiums for the policy or policies shall be the sum of the amounts computed according to the provisions of subsection (a) above and the estimated costs traceable to the extra hazard of active duty in the uniformed services as determined by the Administrator, subject to the provision that such estimated costs traceable to the extra hazard shall be retroactively readjusted annually in accordance with section 769(b).

(c) Each policy so purchased shall include a provision that, in the

distribution of the amounts of group life insurance in force at the date of issue of the policy or at the end of the first or any subsequent year of insurance thereunder would not be possible except at a disproportionately high expense, the Administrator may approve the determination of a tentative average group life premium, for the first or any subsequent policy year, in lieu of using the actual age distribution. Such tentative average premium rate shall be redetermined by the Administrator during any policy year upon request by the insurance company or companies issuing the policy, if experience indicates that the assumptions made in determining the tentative average premium rate for that policy year were incorrect.

(d) Each policy so purchased shall contain a provision stipulating the maximum expense and risk charges for the first policy year, which charges shall have been determined by the Administrator on a basis consistent with the general level of such charges made by life insurance companies under policies of group life insurance issued to large employers. Such maximum charges shall be continued from year to year, except that the Administrator may redetermine such maximum charges for any year either by agreement with the insurance company or companies issuing the policy or upon written notice given by the Administrator to such companies at least one year in advance of the beginning of the year for which such redetermined maximum charges will be effective.

(e) Each such policy shall provide for an accounting to the Administrator not later than ninety days after the end of each policy year, which shall set forth, in a form approved by the Administrator (1) the amounts of premiums actually accrued under the policy from its date of issue to the end of such policy year, (2) the total of all mortality and other claim charges incurred for that period, and (3) the amounts of the insurers' expense and risk charge for that period. Any excess of the total of item (1) over the sum of items (2) and (3) shall be held by the insurance company or companies issuing the policy as a special contingency reserve to be used by such insurance company or companies for charges under such policy only, such reserve to bear interest at a rate to be determined in advance of each policy year by the insurance company or companies issuing the policy, which rate shall be approved by the Administrator as being consistent with the rates generally used by such company or companies for similar funds held under other group life insurance policies. If and when the Administrator determines that such special contingency reserve has attained an amount estimated by the Administrator to make satisfactory provision for adverse fluctuations in future charges under the policy, any further excess shall be deposited to the credit of the revolving fund established under section 766 of this title. If and when such policy is discontinued, and if after all charges have been made, there is any positive balance remaining in such special contingency reserve, such balance shall be deposited to the credit of the revolving fund, subject to the right of the insurance company or companies issuing the policy to make such deposit in equal monthly installments over a period of not more than two years.

#### **§ 772. Benefit certificates**

The Administrator shall arrange to have each member insured under a policy purchased under section 766 of this title receive a certificate setting forth the benefits to which the member is entitled thereunder, to whom such benefit shall be payable, to whom claims should be submitted, and summarizing the provisions of the policy principally affecting the member.

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*Such certificate shall be in lieu of the certificate which the insurance company or companies would otherwise be required to issue.*

**§ 773. Forfeiture**

*Any person guilty of mutiny, treason, spying or desertion, or who because of conscientious objections, refuses to perform service in the Armed Forces of the United States or refuses to wear the uniform of such force, shall forfeit all rights to Servicemen's Group Life Insurance under this subchapter. No such insurance shall be payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States.*

**§ 774. Advisory Council on Servicemen's Group Life Insurance**

*There is hereby established an Advisory Council on Servicemen's Group Life Insurance consisting of the Secretary of the Treasury as Chairman, the Secretary of Defense, the Secretary of Commerce, the Secretary of Health, Education, and Welfare, and the Director of the Bureau of the Budget, each of whom shall serve without additional compensation. The Council shall meet once a year, or oftener at the call of the Administrator, and shall review the operations under this subchapter and advise the Administrator on matters of policy relating to his activities thereunder.*

**§ 775. Jurisdiction of District Courts**

*The district courts of the United States shall have original jurisdiction of any civil action or claim against the United States founded upon this subchapter.*

**§ 776. Effective date**

*The insurance provided for in this subchapter and the deductions and contributions for that purpose shall take effect on the date designated by the Administrator and certified by him to each Secretary concerned.*

**Subchapter [III] IV—General**

**§ 781. Replacement of surrendered and expired insurance**

(a) Any person who surrendered a policy of National Service Life Insurance or United States Government life insurance on a permanent plan for its cash value while in the active service after April 24, 1951, and before January 1, 1957, who was entitled on December 31, 1958, to reinstate or replace such insurance under section 623 of the National Service Life Insurance Act of 1940, may, upon application in writing made while on continuous active duty which began before January 1, 1959, or within one hundred and twenty days after separation therefrom, be granted, without medical examination, permanent plan insurance on the same plan not in excess of the amount surrendered for cash, or may reinstate such surrendered insurance upon payment of the required reserve and the premium for the current month. Waiver of premiums and total disability income benefits otherwise authorized under this chapter shall not be denied in any case of issue or reinstatement of insurance on a permanent plan under this section or the prior corresponding provision of law in which it is shown to the satisfaction of the Administrator that total disability of the applicant began before the date of application. The cost of the premiums waived and total disability income benefits paid by virtue of the preceding sentence and the excess mortality cost in any case where the insurance matures by death from such total disability shall be

borne by the United States and the Administrator shall transfer from time to time from the National Service Life Insurance appropriation to the National Service Life Insurance Fund and from the military and naval insurance appropriation to the United States Government Life Insurance Fund such sums as may be necessary to reimburse the funds for such costs.

(b) Any person who had United States Government life insurance or National Service Life Insurance on the five-year level premium term plan, the term of which expired while he was in the active service after April 25, 1951, or within one hundred and twenty days after separation from such active service, and in either case before January 1, 1957, who was entitled on December 31, 1958, to replace such insurance under section 623 of the National Service Life Insurance Act of 1940, shall, upon application made while on continuous active duty which began before January 1, 1959, or within one hundred and twenty days after separation therefrom, payment of premiums and evidence of good health satisfactory to the Administrator, be granted an equivalent amount of insurance on the five-year level premium term plan at the premium rate for his then attained age.

#### **§ 782. Administrative cost**

The United States shall bear the cost of administration in connection with this chapter, including expenses for medical examinations, inspections when necessary, printing and binding, and for such other expenditures as are necessary in the discretion of the Administrator.

#### **§ 783. Settlements for minors or incompetents**

When an optional mode of settlement of National Service Life Insurance or United States Government life insurance heretofore or hereafter matured is available to a beneficiary who is a minor or incompetent, such option may be exercised by his fiduciary, person qualified under section 14 of title 25, or person recognized by the Administrator as having custody of the person or the estate of such beneficiary, and the obligation of the United States under the insurance contract shall be fully satisfied by payment of benefits in accordance with the mode of settlement so selected.

#### **§ 784. Suits on insurance**

(a) In the event of disagreement as to claim, including claim for refund of premiums, under contract of National Service Life Insurance, United States Government life insurance, or yearly renewable term insurance between the Veterans' Administration and any person or persons claiming thereunder an action on the claim may be brought against the United States either in the United States District Court for the District of Columbia or in the district court of the United States in and for the district in which such person or any one of them resides, and jurisdiction is conferred upon such courts to hear and determine all such controversies. All persons having or claiming to have an interest in such insurance may be made parties to such suit, and such as are not inhabitants of or found within the district in which suit is brought may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct. In all cases where the Veterans' Administration acknowledges the indebtedness of the United States upon any such contract of insurance and there is a dispute as to the person or persons entitled to payment, a suit in the nature of a bill of inter-

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pleader may be brought at the request of the Veterans' Administration in the name of the United States against all persons having or claiming to have any interest in such insurance in the United States District Court for the District of Columbia or in the district court in and for the district in which any such claimant resides; however, no less than thirty days before instituting such suit the Veterans' Administration shall mail a notice of such intention to each of the persons to be made parties to the suit. The courts of appeals for the several circuits, including the District of Columbia, shall respectively exercise appellate jurisdiction and, except as provided in section 1254 of title 28, the decrees of such courts of appeals shall be final.

(b) No suit on yearly renewable term insurance, United States Government life insurance, or National Service Life Insurance shall be allowed under this section unless the same shall have been brought within six years after the right accrued for which the claim is made. For the purposes of this section it shall be deemed that the right accrued on the happening of the contingency on which the claim is founded. The limitation of six years is suspended for the period elapsing between the filing in the Veterans' Administration of the claim sued upon and the denial of said claim: *Provided*, That in any case in which a claim is timely filed the claimant shall have not less than ninety days from the date of mailing of notice of denial within which to file suit. After June 28, 1936, notice of denial of the claim under a contract of insurance shall be by registered mail or by certified mail directed to the claimant's last address of record. Infants, insane persons, or persons under other legal disability, or persons rated as incompetent or insane by the Veterans' Administration shall have three years in which to bring suit after the removal of their disabilities. If suit is seasonably begun and fails for defect in process, or for other reasons not affecting the merits, a new action, if one lies, may be brought within a year though the period of limitation has elapsed. No State or other statute of limitations shall be applicable to suits filed under this section.

(c) In any suit, action, or proceeding brought under the provisions of this section subpoenas for witnesses who are required to attend a court of the United States in any district may run into any other district: *Provided*, That no writ of subpoena shall issue for witnesses living out of the district in which the court is held at a greater distance than one hundred miles from the place of holding the same without the permission of the court being first had upon proper application and cause shown. The word "district" and the words "district court" as used herein shall be construed to include the District of Columbia and the United States District Court for the District of Columbia.

(d) Attorneys of the Veterans' Administration, when assigned to assist in the trial of cases, and employees of the Veterans' Administration when ordered in writing by the Administrator to appear as witnesses, shall be paid the regular travel and subsistence allowance paid to other employees when on official travel status.

(e) Part-time and fee-basis employees of the Veterans' Administration, in addition to their regular travel and subsistence allowance, when ordered in writing by the Administrator to appear as witnesses in suits under this section, may be allowed, within the discretion and under written orders of the Administrator, a fee in an amount not to exceed \$50 per day.



(f) Employees of the Veterans' Administration who are subpoenaed to attend the trial of any suit, under the provisions of this section, as witnesses for a party to such suit shall be granted court leave or authorized absence, as applicable, for the period they are required to be away from the Veterans' Administration in answer to such subpoenas.

(g) Whenever a judgment or decree shall be rendered in an action brought under the provisions of this section, the court, as a part of its judgment or decree, shall determine and allow reasonable fees for the attorneys of the successful party or parties and apportion same if proper, said fees not to exceed 10 per centum of the amount recovered and to be paid by the Veterans' Administration out of the payments to be made under the judgment or decree at a rate not exceeding one-tenth of each of such payments until paid; except that, in a suit brought by or on behalf of an insured during his lifetime for waiver of premiums on account of total disability, the court, as part of its judgment or decree, shall determine and allow a reasonable fee to be paid by the insured to his attorney.

(h) The term "claim" as used in this section means any writing which uses words showing an intention to claim insurance benefits; and the term "disagreement" means a denial of the claim, after consideration on its merits, by the Administrator or any employee or organizational unit of the Veterans' Administration heretofore or hereafter designated therefor by the Administrator.

(i) The Attorney General of the United States is authorized to agree to a judgment to be rendered by the chief judge of the United States court having jurisdiction of the case, pursuant to compromise approval by the Attorney General upon the recommendation of the United States attorney charged with the defense, upon such terms and for sums within the amount claimed to be payable, in any suit brought under the provisions of this section, on a contract of yearly renewable term insurance, and the Administrator shall make payments in accordance with any such judgment. The Comptroller General of the United States shall allow credit in the accounts of disbursing officers for all payments of insurance made in accordance with any such judgment. All such judgments shall constitute final settlement of the claim and no appeal therefrom shall be authorized.

#### **§ 785. Decisions by the Administrator**

Except in the event of suit as provided in section 784 of this title, or other appropriate court proceedings, all decisions rendered by the Administrator under the provisions of this chapter shall be final and conclusive on all questions of law or fact, and no other official of the United States shall have jurisdiction to review any such decisions.

#### **§ 786. Deposits in and disbursements from trust funds**

All cash balances in the United States Government Life Insurance Fund and the National Service Life Insurance Fund on January 1, 1959, together with all moneys thereafter accruing to such funds, including premiums, appropriated moneys, the proceeds of any sales of investments which may be necessary to meet current expenditures, and interest on investments, shall be available for disbursement for meeting all expenditures and making investments authorized to be made from such funds.

**§ 787. Penalties**

(a) Any person who shall knowingly make or cause to be made, or conspire, combine, aid, or assist in, agree to, arrange for, or in anywise procure the making or presentation of a false or fraudulent affidavit, declaration, certificate, statement, voucher, or paper, or writing purporting to be such, concerning any application for insurance or reinstatement thereof, waiver of premiums of claim for benefits under National Service Life Insurance, United States Government life insurance, or yearly renewable term insurance for himself or any other person, shall be fined not more than \$1,000, or be imprisoned for not more than one year, or both.

(b) Whoever in any claim for National Service Life Insurance, United States Government life insurance, or yearly renewable term insurance makes any sworn statement of a material fact knowing it to be false, shall be guilty of perjury and shall be fined not more than \$5,000, or be imprisoned of not more than two years, or both.

**§ 788. Savings provision**

Nothing in this title or any amendment or repeal made by the Act enacting this title shall affect any right, remedy, liability, authorization or requirement pertaining to Government insurance, the respective insurance funds, or the insurance appropriations, authorized or prescribed under the provisions of the War Risk Insurance Act, the World War Veterans' Act, 1924, the National Service Life Insurance Act of 1940, or any related Act, which was in effect on December 31, 1958.

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